

AKTIA BANK PLC

Annual Report 2018



Aktia

Annual Report 2018 is a translation of the original Swedish version Årsredovisning 2018. In case of discrepancies, the Swedish version shall prevail.

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About Aktia

Aktia's foundations were laid in the 1820s. Our mission is still to work for the prosperity of Finland and Finnish people. Accomplishing this task requires us to renew ourselves continuously.

Information for investors

Calendar 2019

Annual General Meeting 2019	11 April 2019
Interim Report Jan–Mar 2019	3 May 2019
Half-year Report Jan–Jun 2019	1 August 2019
Interim Report Jan–Sep 2019	31 October 2019

For registration purposes, the shareholder is requested to give his/her name and personal identification code or business ID, address, telephone number as well as the name and personal identification code of any representative. The personal details that shareholders give to Aktia Bank Plc will only be used for purposes associated with the Annual General Meeting and processing the relevant registrations.

Annual General Meeting 2019

Aktia Bank Plc's Annual General Meeting is being held at 4.00 p.m. on Thursday 10 April 2019 at the Vanha ylioppilastalo, Mannerheimintie 3, Helsinki.

Each shareholder, who is registered in the company's register of shareholders maintained by Euroclear Finland Ltd as at 1 April 2019, has the right to participate in the Annual General Meeting. Shareholders whose shares are registered in their personal Finnish book-entry account are registered in the company's register of shareholders. Shareholders who are registered in the company's register of shareholders and who wish to participate in the Annual General Meeting must register their intention to attend by 4.00 p.m. on 5 April 2019, at the latest.

Participants can register for the Annual General Meeting

- through the company's website www.aktia.com
- by telephone at +358 800 0 2474 (8.30 a.m.–4.30 p.m. on weekdays); or
- in writing to Aktia Bank Plc, Group Legal, P.O. Box 207, 00101 Helsinki.

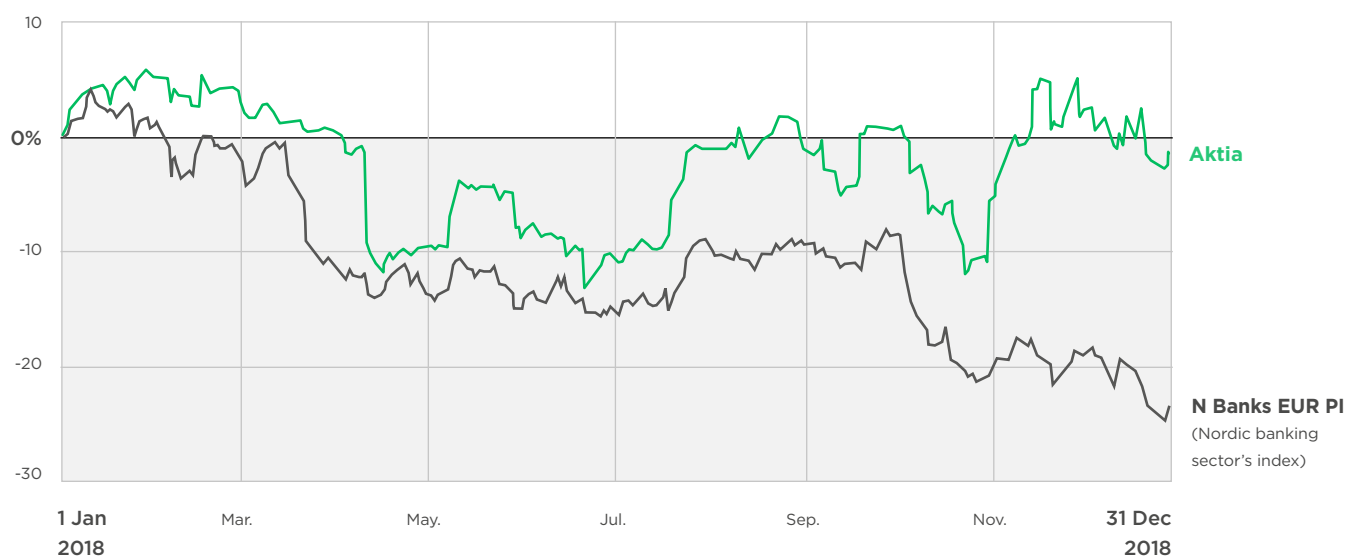
Dividend

For the financial year 2018, the Board of Directors proposes that a dividend of EUR 0.61 per share shall be paid. Shareholders entitled to dividend are those who are registered in the register of shareholders of the company maintained by Euroclear Finland Ltd on the record date 15 April 2019. The Board of Directors proposes that the dividend shall be paid out on 25 April 2019 in accordance with the rules of Euroclear Finland Ltd.

Aktia Bank plc – Capital and Risk Management Report 2018

Aktia Group's internal control, risks and risk management are presented in greater detail in the Group's Capital and Risk Management Report, which is published separately at the same time as the annual report. The report is available at Aktia Group's web site www.aktia.com.

DEVELOPMENT OF AKTIA'S SHARE 2018, %



An increasingly agile and international Aktia

In 2018, we concentrated on implementing major reforms in line with our strategy. Amidst the changes, we succeeded in maintaining the trust of our customers and achieved good financial results. In 2019, Aktia will be more agile and international than ever. We are working with our customers to increase their assets with tailored solutions and digital services.

Aktia's foundations were laid as early as in the 1820s when the oldest bank currently operating in Finland was established. At that time, the founding members of the bank wanted to provide people with a good way to save money for a rainy day when times were good.

The Finland of today is very different, but the basic needs of people have not changed and it is still our mission to work for the prosperity of Finland and Finnish people. Accomplishing this task efficiently and profitably requires us to keep on renewing ourselves.

Defined in 2017, our strategy became part of Aktia's daily operations last year. In line with the strategy, we help our customers to increase their assets with better tailored solutions and the services enabled by digitalisation.

Successful year of change

In 2018, we had success in many areas and managed to maintain the trust of our customers amidst major changes.

In 2018, Aktia's institutional asset management business rapidly became more international. The assets managed by our funds traded on international markets rose to over EUR 1.1 billion during their first year of operation, and of all funds, UI-Aktia EM Local Currency Bond+ had in September 2018 the second-highest amount of net subscriptions in the German-speaking markets. Even from the global perspective, Aktia has unique and award-winning asset management competence, and we intend to continue our international focus in the future.

The new banking system introduced in 2017 released resources for the development of electronic products and services in 2018.

We have significantly increased our capabilities in the utilisation of data and analytics. Automatic mortgage decisions are one practical example of this.

In July, Moody's increased its credit rating of Aktia's savings and privileged loans without collateral to A1. The main reasons for the increased credit rating were the successful diversification of Aktia's earnings through the expansion of its asset management business and the improved cost efficiency.

We also succeeded in increasing our efficiency and in cutting costs significantly, among other things thanks to various development projects regarding service processes. As a practical example, management of a death estate no longer requires the customer to visit the bank.

We also updated the overall picture of the essential subjects of corporate responsibility together with Aktia's personnel, customers and shareholders in 2018. We received comprehensive and unique views, on the basis of which we created a corporate responsibility programme with specific goals for Aktia.

The customer's best alternative and closest financial partner

The size of Aktia and the commitment of its employees mean that it has all the prerequisites to be the best alternative and closest financial partner for families and SMEs. I believe that in 2019, the Aktia experience will be a more individual service package where electronic remote services and face-to-face business complement each other. That means that the customers receive the most appropriate service for their needs.

I wish to extend my thanks to each and every Aktia employee for your commitment to excellent customer service as well as for your enthusiasm for renewal in 2018. Survey results indicate that our employee satisfaction has improved during the year. I see that as a sign of the ambition and forward-looking attitude of Aktia employees. I equally want to thank our customers, shareholders and other cooperation partners. The best result is achieved together.

We succeeded in implementing significant reforms in 2018, but there is still work to be done. This is a good starting point for 2019.

Mikko Ayub
CEO



In 2018, we had success
in many areas and
managed to maintain the
trust of our customers
amidst major changes.

Mikko Ayub,
CEO



Aktia in brief

Aktia is a Finnish bank that provides a broad range of solutions within banking, asset management and personal insurance. Aktia operates mainly in coastal areas and inland growth areas. The main objective for Aktia's strategy is to offer the customers the best customer experience within asset management and financing. Customers have individual needs that Aktia wants to meet through combination of first-class personal service, digital services, a unique one service offer and an agile service implementation.



Aktia's values:
courageously,
skilfully, together



Morningstar awarded
Aktia as the best Finnish
fixed income asset
manager in Awards 2018

330,000

Private customers

40,000

Corporate and
institutional customers

790

Employees

32

Customer service units

151,756

Aktia Wallet
application downloads

10.2 million

Online banking logins

THREE BUSINESS AREAS



Private customers

We offer overall banking services and services for discretionary asset management together with a unique customer experience.



Corporate customers

We offer financial advice to help companies and organisations to succeed and to promote their owners' economic wealth.



Asset management

We offer asset management services with high competence both in Finland and internationally. We are famous for our fixed income asset management solutions.

Forms and channels of service:

Self-service

Digital wallet
Online bank
Mobile bank

General advising

Chat on webpages
Social media

Personal advising

Telephone
Net meeting
Branch offices

The legal structure of Aktia Group: Aktia Bank Plc

Is quoted in Nasdaq Helsinki Ltd

100%

Aktia Life
Insurance Ltd

100%

Aktia Fund
Management
Company Ltd

76%

Aktia Asset
Management Ltd

100%

Aktia
Finance Ltd

KEY FIGURES 2018

210.1 **0% (210.3)**

Total operating income, EUR million

67.6 **+38% (49.1)**

Operating profit, EUR million

65.4 **+9% (59.9)**

Comparable operating profit, EUR million

0.69 **-3% (0.71)**

Comparable cost-to-income ratio

0.81 **+42% (0.57)**

Earnings per share (EPS), EUR

9.4 **+45% (6.5)**

Return on equity (ROE), %

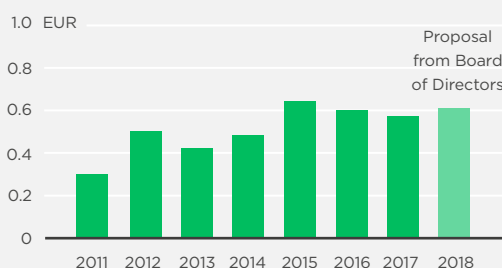
17.5 **-3% (18)**

Common Equity Tier 1 capital ratio, %

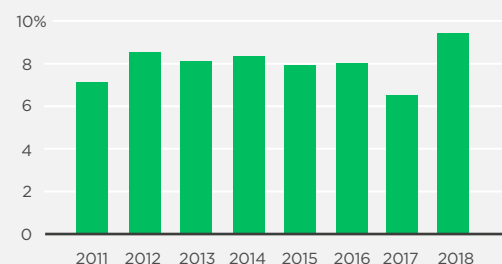
0.61 **+7% (0.57)**

Dividend per share (proposal), EUR

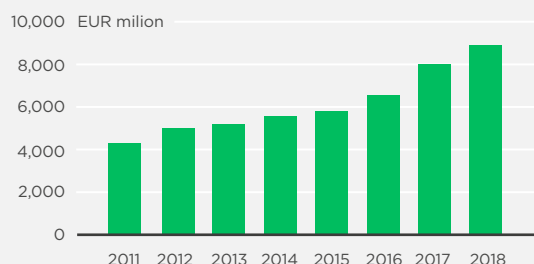
Aktia's dividend per share (including capital return) 2011-2018



Aktia's return on equity (ROE) 2011-2018, %



Assets under management (AuM) excluding custody 2011-2018, EUR million



Aktia Bank's financial targets 2022

Improve the comparable operating profit to approx. EUR 80 million

Improve the comparable cost-to-income ratio to 0.61

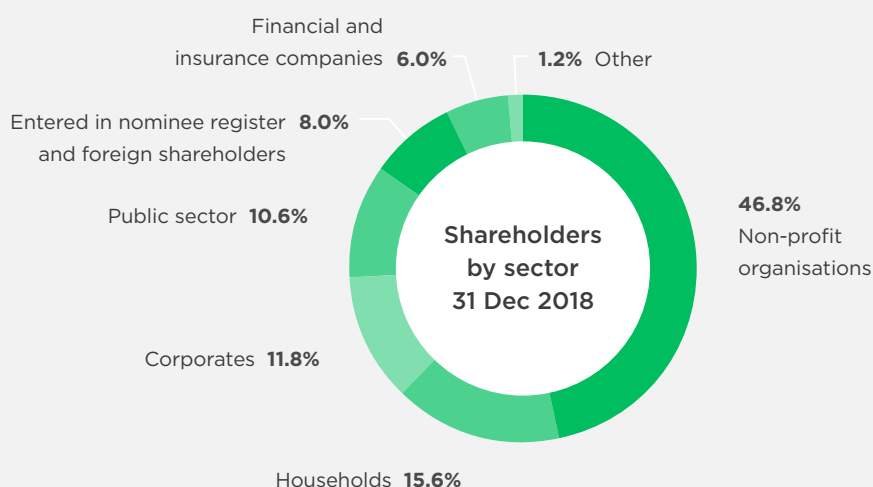
Improve Return on Equity (ROE) to 9.7%

Common Equity Tier 1 capital ratio (CET 1) 1.5-3% percentage points over minimum capital requirement



Aktia Bank's dividend policy

Dividend pay out 60-80% of profit for the reporting period



Year 2018



New business areas

The group changed its reporting regime as part of the earlier announced strategy of Aktia Bank Plc putting more emphasis on asset management and financing. From 1 January 2018, Aktia's reporting consists of three business segments: Personal and Corporate Banking, Asset Management, and Group Functions. The Personal and Corporate Banking segment is responsible for Aktia's private, corporate and premium customers. The Asset Management segment covers Asset Management, Private Banking and Life Insurance and serves wealthy private customers and institutional investors. Group Functions is responsible for Aktia's support and staff functions.

Expansion to international markets

Aktia extended the sales of its special expertise in the government bonds of emerging markets to the international markets when cooperation continued with Universal-Investment GmbH, the largest independent investment services company in Europe. The company manages a portfolio of over EUR 340 billion and offers more than 1,000 private label funds and mandates to its customers. Universal-Investment GmbH administers and distributes Aktia's funds through its sales organisation to institutional investors in German-speaking Europe.

Aktia awarded as Finland's best fixed-income fund manager

Aktia was again awarded as the best interest asset manager in the "Finland Awards 2018" contest organised by Morningstar. In addition, Aktia Corporate Bond+ was among the top three in the fixed-income fund category. Aktia's asset management has been at the top of Morningstar's ratings since 2013. The long-lived success is an indication of Aktia's expertise. Aktia Asset Management specialises in three main areas: emerging markets government bonds, European corporate bonds and global inflation.



Aktia reviewed its customers' needs for cash deliveries

Aktia reviewed its customers' needs for cash deliveries by post. Scaling down of the branch office network has meant challenges particularly to senior citizens, disabled persons and people living in scarcely populated areas, and in the planned service, the customer would order a delivery of cash from Aktia. The customers' interest was reviewed in 15 branch offices around Aktia's branch network, as well as by telephonic surveys and online surveys at the Aktia.fi website.

Moody's upgraded Aktia's credit ratings

In July, Moody's Investor's Service upgraded Aktia Bank Plc's long- and short-term deposit ratings from A3/P-2 to A1/P-1 and the rating of long-term privileged loans without collateral from A3 to A1. The main reason for raising the credit rating was the consistent improvement of Aktia's independent financial performance during the last few years, including the successful diversification of the bank's different earnings through expanded asset management.



Mikko Ayub, new CEO at Aktia

On 6 August 2018, the Board of Aktia Bank Plc appointed Mikko Ayub (M.Sc., MBA) as new Chief Executive Officer. Mikko Ayub is moving to Aktia from Nordea Bank where he most recently has been Executive Advisor for the Commercial and Business Banking operations and before that he was responsible for the Markets operations in Finland, Baltics and Russia. Mikko Ayub started as CEO on 1 October 2018.

Never too old to surf – Nettiä ikä kaikki

Aktia participated in the "Never too old to surf - Nettiä ikä kaikki" campaign, organised by the Finnish Broadcasting Company and aimed at improving people's digital skills in Finland. During the campaign, Aktia provided guidance for the use of digital services in its branch offices.

Aktia joined CDP's water and forest initiatives as an investor-signatory

Aktia continued its corporate responsibility work and joined the water and forest initiatives of CDP, an organisation encouraging actions to fight climate change and measures to protect forests and waterways. These initiatives encourage companies to issue comprehensive reports on the responsible manner in which they use water and forest resources as well as on the associated risk management. Signing these initiatives is part of the actions for developing Aktia's responsible activities.



Aktia divested the rest of its holdings in Folksam Non-Life Insurance Company

Aktia concluded an agreement on divesting its remaining 10 percent holding in Folksam Non-Life Insurance Company to Fennia Mutual Insurance Company. At the same time, the majority shareholder Folksam Ömsesidig Sakförsäkring (75%) and minority shareholder Veritas Pension Insurance Company (15%) sold their holdings in the company to Fennia. Aktia Bank is now completely focused on carrying out the strategy, which focuses on asset management and financing solutions, while competitive non-life insurance and pension insurance products are offered through partners.

Assets originating from international customers over one billion euros

In late 2017, Aktia extended the provision of its special expertise in the emerging markets government bonds to the international markets. During 2018, the popularity of our funds increased sharply and by the end of 2018, their assets originating from international customers had amounted to more than EUR 1.1 billion.

Aktia donated a total of EUR 150,000 to universities of applied science

Aktia donated EUR 75,000 to both the Arcada and Novia universities of applied science for education in economics and business management. Aktia has a long tradition in supporting education and research, and this support is part of Aktia's corporate responsibility work. Improving economic competence in society is one of Aktia's key objectives.

Aktia started corporate responsibility work with Christmas donations to Icehearts ry and Nuori Yrittäjyys ry

During Christmas, Aktia supported Icehearts ry and Nuori Yrittäjyys ry by donating EUR 7,500 to both. Furthermore, Aktia started long-term cooperation with these associations from the beginning of 2019. This cooperation is part of Aktia's extensive social responsibility work. The goal of Nuori Yrittäjyys ry is to help young people recognise and make use of their capabilities by learning at work. Icehearts ry supports children and young people at risk of social exclusion with the help of hobbies.

Strategy and Operating Environment



We are a close advisor and
the customer's best partner
in financial matters.

Max Sundström,
Director, Concept and Strategy

Aktia's strategy - Focus on asset management and financing

Our strategy, defined in 2017, became part of Aktia's daily operations in 2018. We are working with our customers to increase their wealth with better tailored solutions and digital services. We are a close counsellor and the customer's best partner in financial matters.

We work for the wealth of Finnish people

One of the most important priorities in Aktia's strategy is to strengthen the initiative for savings and investments: Aktia wants to continuously improve the way in which it helps its customers to increase and manage their wealth. This is done by, among other things, providing investment and financing solutions tailored to the customer's needs in a simple and responsible manner. We want to find the products and services that best satisfy our customers' needs and to concentrate on them. Aktia's distinguished and award-winning asset management provides excellent conditions for this. With the renewed range of products, successful asset management is available to all customer segments.

Digital services part of the new strategy

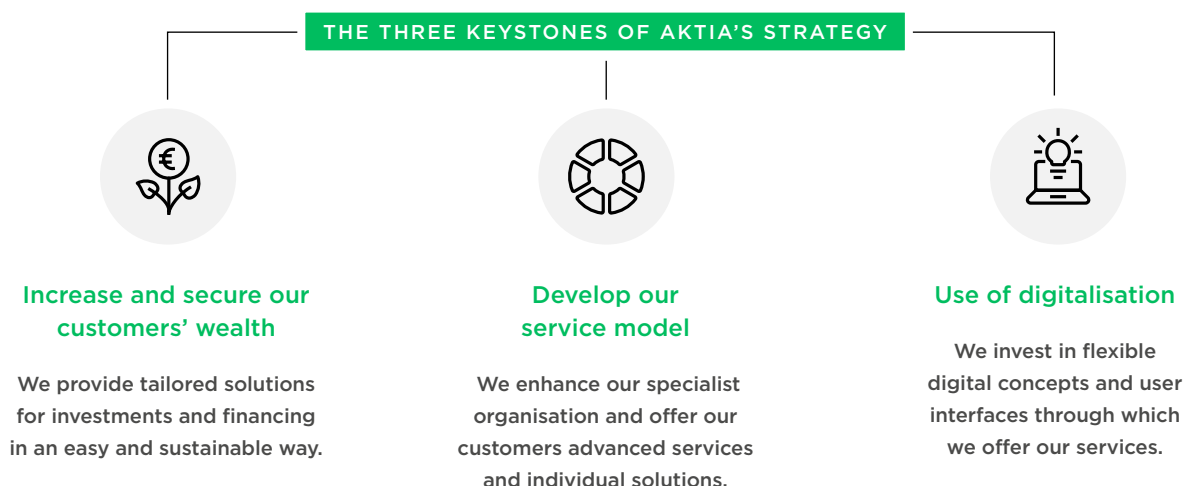
Development of our service models and utilisation of digital services are also an essential part of the new strategy. By means of the new centralised service models, Aktia's customers can do their banking even more flexibly – at a branch office, over the phone and online. In digital services, we are investing in flexible digital solutions and a positive user experience.

Investments in data analytics, automation and robotics will help us to continue serving our customers and their changing needs in a constantly developing environment. They also have a significant role when Aktia streamlines its activities.

Constant development

The business model under the new strategy enhances Aktia's role as an expert organisation. Our staff's knowledge, development and cooperation are key elements of the model. The rapid and continuous changes accompanying digital transformation drive the reformation of our organisation.

In accordance with our strategy, we support the professional development of staff and encourage them to seize new opportunities.



Aktia's business model – efficient asset management for private customers and companies

Aktia Bank provides private customers and companies with effective long-term asset management and financial solutions. We are a Finnish company providing employment and paying taxes in Finland.

Net interest income constitutes a significant income item

Net interest income consists of the difference between our interest income and interest expenses in the income statement. Interest income is mainly driven by lending activities, but also by liquidity management. Interest expenses are driven by items that finance lending activities and liquidity management. Lending activities and liquidity management are financed by lending from companies and private individuals, and by borrowing on the capital market through bonds and shareholder equity. To secure access to capital at a low cost, Aktia must have the confidence of both the public and the financial market. This is achieved through controlled risk in lending activities.

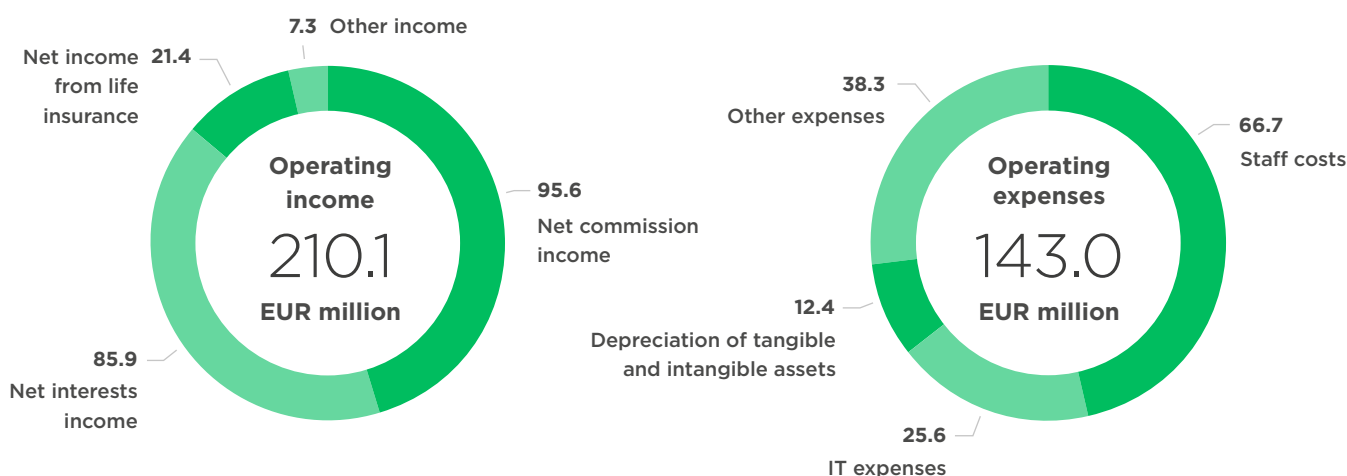
The investment margin, i.e. the net interest income in relation to the average balance sheet total, should be large enough to cover expenses such as administrative costs, returns on shareholder

equity and any credit losses for counterparties unable to pay their interest or make repayments. Credit losses are recognised under a separate item in the income statement. The development of both net interest income and credit losses has a strong link to the real economy and is thereby affected by factors such as GDP growth, interest rates and unemployment.

Net commission income constitutes the biggest income item

Besides lending and borrowing, Aktia offers its customers a variety of services and products whose main revenues consist of various forms of fees. These revenues, adjusted for transaction costs, are recognised in the income statement under the item net commission income. Net commission income constitutes the biggest income item. Most of the net commission income is derived from various asset management services and products. Aktia's asset management includes customer assets of over EUR 9 billion. Most of this is placed in Aktia's own funds. A percentage of deposited capital is charged as a fee for managing capital and covering costs, including staff. Revenues from funds are thus largely dependent on growth in the volume managed, which in turn is influenced by the development on the capital markets. Other significant commissions consist of fees levied in order to cover costs such as staff and other administrative costs for managing customer credit matters in lending activities and for handling payment traffic.

OPERATING INCOME AND EXPENSES, 2018





Net income from life insurance covers approx. 21% of Aktia's operating income

Aktia Life Insurance Company offers a comprehensive range of insurance policies for both private and corporate customers. Net income from life insurance consists of the actuarially calculated result and net income from investments. The actuarially calculated result describes the difference between the policy premium revenues paid in by customers and the insurance claims paid out to customers as well as the change in technical provisions, which describes the future claims provisions arising from the sold policies. Net income from investments describes the returns on those assets which are intended to cover the future insurance provisions.

Staff and IT the biggest operating expenses

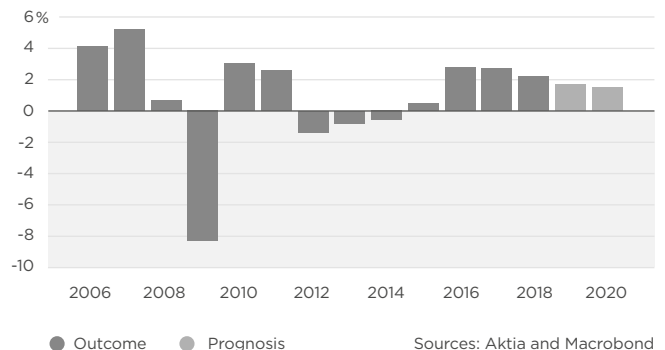
Aktia Group's main operating expenses consist of salaries to the group's employees. Besides the staff who are in direct contact with customers through various channels, many of our staff carry out a variety of support tasks, such as IT development, risk management and financial reporting.

Other major cost items consist of IT and rental expenses for maintaining and developing the distribution network of offices and digital channels that Aktia provides for its customers.

Economic growth continues despite the uncertainties

2018 was the fourth consecutive year of growth in Finland. Strong domestic demand and the good trend in employment created a buffer against the uncertainties of world economy. For 2019, Aktia is predicting a more modest growth rate of 1.7 per cent.

Finland's GDP, %-change from last year



INTERVIEW WITH HEIDI SCHAUMAN

Chief Economist Heidi Schauman, what did the Finnish economy look like in 2018?

From the point of economy, the year was a bit dualistic. Growth was still strong early in the year, but worrying news started coming in the summer, particularly regarding investments and foreign demand. Growth weakened during the summer and amounted to only 0.4 per cent in the third quarter. However, this rate was reasonable when compared to our main competitors Sweden and Germany, as negative growth rates were recorded in those countries for that period. The growth of GNP for the whole year was 2.2 per cent in Finland – good but not brilliant.

What were the main factors affecting the economy in 2018?

The main factors had to do with the uncertainties in world economy. The most significant issue was the step headed by the USA towards a more closed trade policy conducted at the country's own terms. The effects became visible towards the end of the year. The growth rate of Finnish exports sank close to zero due to the trade war between China and the USA and the resulting uncertainty. There were, however, also positive developments in the world trade in 2018. The historical trade agreement signed between EU and Japan opened great opportunities for Finnish companies to enter the Japanese market.

Which positive matters for the Finnish economy in 2018 would you bring up?

Domestic demand is still healthy and acts as a buffer against weaker exports. The consumers' confidence in economy also

remained at a good level throughout the year. The good development of employment and numerous new jobs indicating positive dynamics were particularly good news. At a more general level, I would see it as a positive development that ordinary Finns seem to have taken more interest in investing.

What does the economy look like in 2019?

In late 2018, we predicted a slowing down of the world economy and downgraded later the growth forecast for Finland to 1.7 percent in 2019. Uncertainty continues and is associated with major open questions, such as Brexit and the situation in Italy, as well as the trade war between China and the USA. There are also many smaller political risks in Europe. If even one of these risks materialises in the worst possible manner for economy, it can have major impacts. Regarding interest rates, I believe they will develop moderately and no sudden increases are in the horizon. We estimate that the market interest rates will remain close to zero or even below it for the whole year 2019.

How do you expect the Finnish economy to change in 2019?

Structural problems continue to weaken the long-term outlook in spite of the good development of employment in 2018. It seems to me that the easy measures for ensuring growth have now been used up. The next government will have to come up with new ways to ensure growth and the improved employment rates. Reforms are required, particularly for solving the matching problem on the labour market. Many businesses in the service sector, for example, are already having big difficulties in finding workforce.



We estimate that the market interest rates will remain close to zero or even below zero for the whole year 2019.

Heidi Schauman,
Chief Economist



What we do



Customers' individual needs are the starting point of everything we do, in all customer segments.

Juha Hammarén,
Executive Vice President and COO

We work for the prosperity and future of our customers

Aktia provides private individuals, corporate customers and institutions with customer-oriented banking and financing solutions, based on close consultancy, through different channels. The individual needs of each customer are the basis of our operations in all customer segments.

In 2018, Aktia organized its operations around five customer segments: Personal Banking, Premium Banking, Private Banking, Corporate Banking and Asset Management.

Personal Banking seeks to guarantee that everyday banking matters go smoothly and to offer expert advice on increasing assets and major financial decisions as life situations change. Typical products include loans, insurance and various savings and investment products that are offered to Aktia's private customers.

Premium Banking seeks to be the market's best service provider in the area of investment advice, refinancing and digital solutions. Aktia's service promise in the Premium Banking customer segment includes every customer being assigned a named Premium Banker to provide comprehensive customer care.

The goal of the **Private Banking** customer segment is to provide comprehensive and discretionary asset management and banking services combined with a unique customer experience – both in personal service and through digital channels. Aktia's Private Banking services focusing on providing advice are intended for

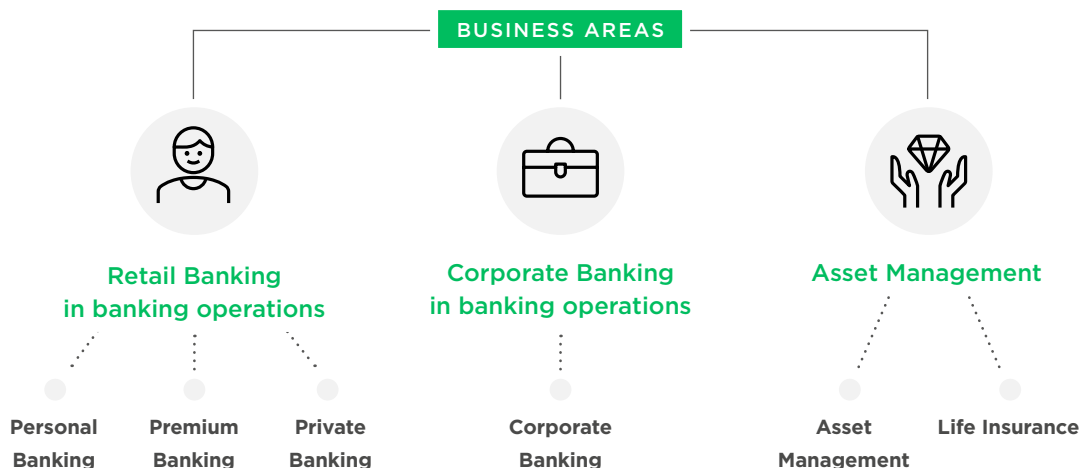
private individuals and families, minor investment companies and organisational customers with investment assets of more than EUR 500,000. Our goal is to be the best private banking partner for our customers in the long run and across generations.

Corporate Banking serves companies and organisations, from micro-businesses and associations to listed companies. As the close partner of our customers, we provide sound financial advice with the objective of helping companies to succeed and further their owners' economic well-being.

Aktia **Asset Management** provides institutions, such as pension associations, foundations, cities and municipalities with high-competence asset management services in Finland and internationally. In addition, we offer a comprehensive range of services including financial solutions and payment services. We are renowned for our interest swap solutions in asset management where our spearhead expertise is in government bond investments in emerging economies and in European corporate loans. In equity asset management, we are primarily concentrating on the shares of Nordic and European small companies.

In addition to its own investment activities of high quality, another cornerstone of the business of Aktia Asset Management is the analysis of external funds and their selection for our customers. Our analysis activities ensure that the Asset Management customers have a very extensive and successful global cooperation network at their disposal.

Starting from the beginning of 2019, Aktia has rearranged its operations under three business areas: **Retail Banking, Corporate Banking** and **Asset Management**. The goal of the rearrangement is to further improve our business operations and to provide best possible service to customers.



Aktia Private customers – a responsible partner for daily life

Aktia wants to provide expert advice, best investment advice services, comprehensive banking services and discretionary asset management services to private customers.

INTERVIEW WITH CAROLA NILSSON

Carola Nilsson, Director for the business area Private customers, how would you describe the year 2018?

Generally speaking, the year was full of positive changes. For private customers, implementing the new strategy meant above all a more customer-oriented model of operations where digital service channels are increasingly important. Amidst the change, we also launched several new service concepts, and I believe we have succeeded in securing our customer base and in maintaining a good level of customer satisfaction.

What did the changes mean for customers?

Our new service model allows us to have a closer focus on advisory services as the transaction operations become automatic. This trend will continue in 2019. This means that Aktia will be able to provide its customers with even more personal advice-based service in different service points and with a smoother service experience in quick service needs.

Which were the highlights of 2018?

I would say that we implemented the changes together with our customers. This greatly contributed to maintaining customer satisfaction. We also carried out major changes to our service concepts.

We launched a new service package for the daily banking of our senior customers, making it easier for them to start using new services. We also surveyed our customers' need for home deliveries of cash. Pilot operation of the "Cash to your front door" concept began in late 2018.

We also combined our resources with Aktia Asset Management. Thanks to this, our asset management portfolios in fund form made the management services of major investors and international potential also available to private investors.

In 2018, more and more of our customers were assigned their own financial advisors. This allows us to provide a more personal and tailored banking service.

What are Aktia's particular strengths in the private customer business?

We are of the right size and agile so we can provide, particularly with our renewed service models, a more tailored and personal service as well as our award-winning asset management expertise also for private investors.

We believe in transparency. We are openly telling our customers where their investments are and what the expected return is. Customers seem to appreciate this openness and responsibility, particularly during tough times for investments, as was the case in 2018.

What does 2019 look like?

We will continue with reforms and seek growth. We will further focus Aktia's position and plan new service models that will allow us to tailor our services for different customer types even better. We also want to keep our customers closely involved with the development of services.



2018 was a year full of positive changes. We are now an even more customer-oriented partner of our customers' everyday lives and for realising the customer's dreams.

Carola Nilsson,
Executive Vice President,
Private customers



The best partner for corporate and organizational customers

The customer segment Aktia Corporate Banking serves companies and organisations, from micro-businesses and associations to listed companies. As the close partner of our customers, we provide sound financial advice with the objective of helping companies to succeed and further their owners' financial well-being. Providing the best possible customer experience is of paramount importance to us.

INTERVIEW WITH IRMA GILLBERG-HJELT

Irma Gillberg-Hjelt, Director for the business area Corporate customers, how would you describe the year 2018?

2018 was a year of major changes. In line with our new strategy, we wanted to better take the needs of different customers into account and to place the best possible expertise at their disposal.

We started 2018 with a new sales organisation and service model which allow us to serve our customers as appropriately as possible.

What did the changes mean for the customers?

On a practical level, we deliberated on what kinds of matters we should deal with face to face and which would be better provided through remote services.

The changes have allowed us to invest more resources into assisting and advising our customers with major, business-critical banking issues.

We concentrated the services for our smaller corporate customers so that they can in practice take care of all their banking business through online services. This saves the customers' time and allows them to concentrate on their core businesses.

What were the highlights of 2018?

Firstly, we succeeded with our customers in creating great solutions for challenging issues, such as major corporate transactions or investments critical to the businesses of our customers. I am proud of every one of them.

Secondly, it was great to see our new strategy functioning in practice. We succeeded in carrying out a major structural change that also involved challenges at the early stages in the form of longer service times. However, we succeeded in having our service model function as planned towards the end of the year.

Thirdly, we succeeded in significantly increasing the volume and operating profit of our corporate business in 2018, driven by the growth of national economy and increased investment activities.

What are Aktia's particular strengths in the corporate customer business?

In line with our strategy, we concentrate on being close to every customer and on providing them with best possible advice in financial matters. We want to be our customer's best partner.

Good cooperation with our private customer side is also an important factor. This means that the owners and key employees of our corporate customers have a good base among our private customers. In this respect, our relatively small size is our competitive edge.

What does 2019 look like?

I believe that the change of business model implemented in 2018 will give us a very strong basis for 2019. The general uncertainty in economy of course means that we have to keep a very close eye on the signals from the economy and ensure our capability to act in quickly changing situations. We will best achieve this by staying close to our customers' everyday business.



As the summer was approaching, our new service model started to bring results. Our strategic choices proved to be right.

Irma Gillberg-Hjelt,
Director, Corporate customers

Aktia's internationalisation is spearheaded by the Asset Management business

Aktia provides institutions, such as pension associations, foundations, cities and municipalities with high-competence asset management services in Finland and internationally. In addition, we offer a comprehensive range of services including financial solutions and payment services.

INTERVIEW WITH ANSSI RANTALA

Anssi Rantala, Director for the business area Asset Management, how would you describe the year 2018?

2018 was a year with a lot of twists and turns, but also in many ways successful. We succeeded in maintaining the trust of our customers among major changes during a turbulent year for investments. In addition, we achieved significant growth internationally in our institutional asset management business.

We also launched new products in 2018: our Asset Management Portfolios selectable by risk profile make the portfolio management services of major investors and international potential cost-efficiently available to private investors. At the end of 2018, we also launched our first real estate fund, Aktia Toimitilakiinteistöt.

Which were the highlights of 2018?

For me, the international growth of our business was the most significant matter in 2018. The total assets managed by our funds available in international markets rose to over EUR 1.1 billion during the first year of operation. In September 2018, the UI-Aktia EM Local Currency Bond+ fund we offer became the fund with second-highest amount of net subscriptions in the German-speaking markets.

The quality of our service is also manifested by the numerous awards in which we take great pride. In 2018, Morningstar awarded Aktia as the best fixed income asset manager in Finland. We achieved the third place in Prospera's survey among major institutional investors.

Generally speaking, we succeeded in maintaining the trust of our customers in a challenging market situation, among changes. This is shown by the growth of institutional asset management.

Which are Aktia's particular strengths in institutional asset management?

The success is a result of over 10 years of determined long-term work that has helped us develop a very solid special expertise in fixed income asset management and an agile investment method. We are now also exporting this expertise to international markets.

We provide a very extensive range of solutions for conventional fixed income and equity investments, as well as a constantly expanding range of alternative investments. We are backed by a strong banking group that wants to see the asset management business grow.

What does 2019 look like for the institutional asset management?

The uncertainty factors associated with world economy have not disappeared. In times like this, Aktia's customer benefits from a close customer relationship concentrating on the provision of advice where the solutions are carefully deliberated together. I believe that we have a good basis for continued growth in 2019.



In 2018, Aktia's business became more international spearheaded by institutional asset management. Significant awards from the sector raised our profile.

Anssi Rantala,
Executive Vice President,
Asset Management



Responsible Aktia



Corporate responsibility is integrated in Aktia's strategy and it is a part of our day-to-day activities.

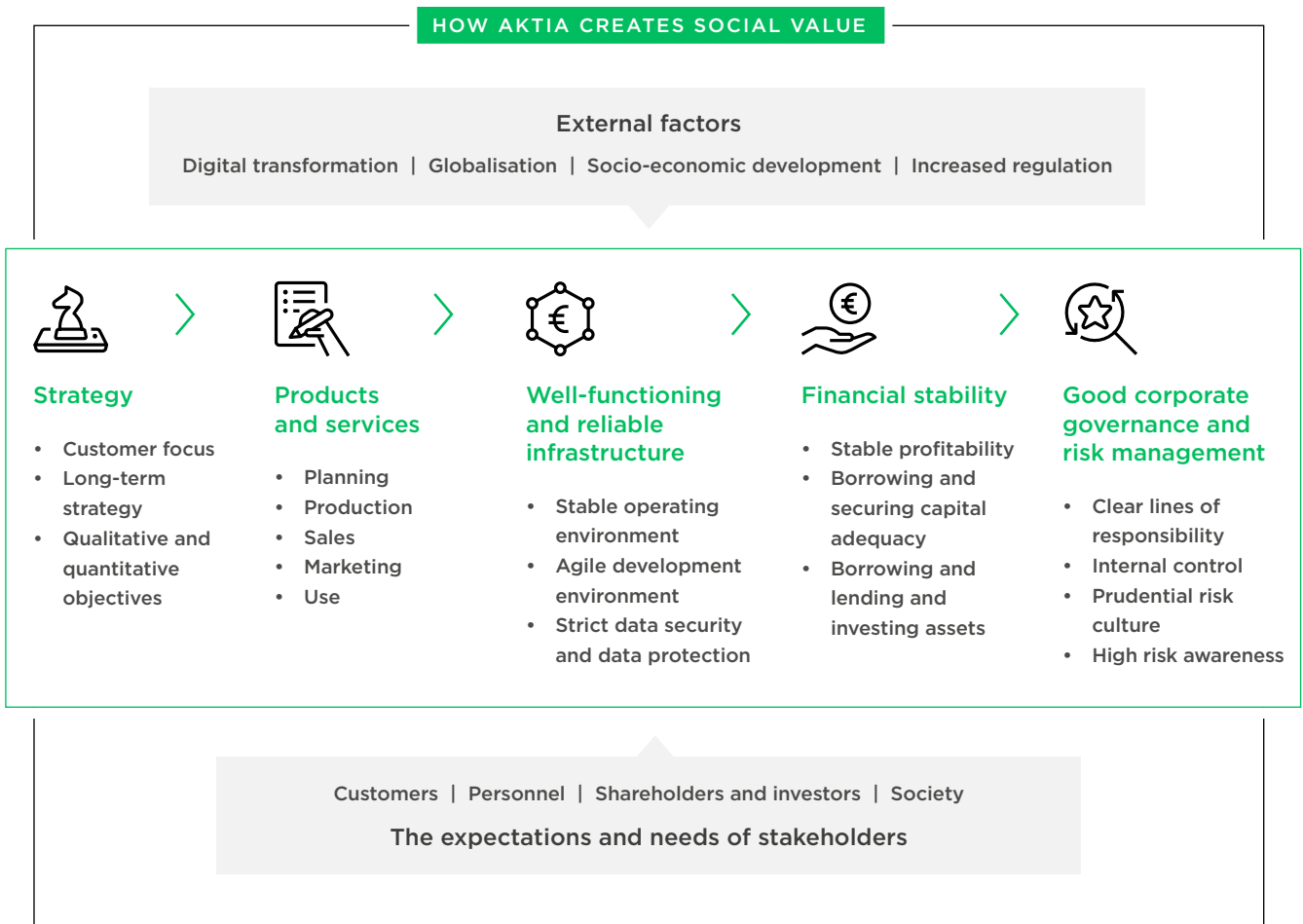
Mia Bengts, Group Legal Counsel

New corporate responsibility programme was a joint effort with Aktia's stakeholders

We updated the overall picture of the essential subjects of corporate responsibility together with Aktia's personnel, customers and stakeholders in 2018. We received valuable response, on the basis of which we created a corporate responsibility programme with specific goals for Aktia. Aktia aims to be a sound and reliable partner for economic welfare and the preferred employer in the sector. We think well ahead.

Our corporate responsibility programme consists of three main themes, each covering several subjects. We have chosen main objectives and benchmarks for each theme. Aktia's corporate responsibility work and its goals are approved by the company's management team. The actions, implementation and development of corporate responsibility work are coordinated by the corporate responsibility working group representing extensive experience of Aktia's various functions. The activities of the working group are managed from the CFO's organisation. In 2019, Aktia's corporate responsibility and its management will be enhanced by a new dedicated corporate responsibility expert.

We have revised the responsibility section of our Annual Report and report on the results in compliance with the programme to the extent possible for the past year. A concise summary of our responsibility work is also part of the Report by the Board of Directors.



Solid and reliable	Partner for economic well-being	Most desired employer in the sector
<ul style="list-style-type: none"> • Transparent governance and ethical principles • Preventing money laundering and corruption • Confidentiality of customer information and information security • Transparent reporting and tax payment • Financial solidity • Responsible procurement • Active dialogue <p>.....</p> <p>Goal: We are growing profitably.</p> <p>Indicators: Increase in profit and stability according to economic objectives of the strategy period.</p> <p>.....</p> <p>Goal: We operate according to high morale.</p> <p>Indicators: All Aktia employees have completed all compulsory compliance trainings. No authority sanctions.</p>	<ul style="list-style-type: none"> • Responsible financing and granting of credit • Responsible investments and asset management • Climate-smart services to customers • Customer loyalty and satisfaction • Flexible service, versatile channels • Making use of new digital channels • Promoting financial expertise • Responsible marketing • Participating in the development of information society <p>.....</p> <p>Goal: We respond to our customers' needs.</p> <p>Indicators: Indicators to be established in 2019.</p> <p>.....</p> <p>Goal: We invest responsibly.</p> <p>Indicators: Notifying the United Nations Principles for Responsible Investment and reporting accordingly.</p> <p>.....</p> <p>Goal: We grant credit responsibly.</p> <p>Indicators: Granting of new credits based on the customer's facility and loans ceiling. Active following of credits. Increase of "green credits" in relation to the total credit portfolio.</p>	<ul style="list-style-type: none"> • Competent staff and good leadership • Occupational well-being, equal opportunities and diversity • Minimising own environmental impact <p>.....</p> <p>Goal: We develop leadership and employer experience in the long term.</p> <p>Indicators: eNPS objective is >0. Leadership index objective 87.</p> <p>.....</p> <p>Goal: We create well-being and promote good health.</p> <p>Indicators: Indicators to be established in 2019.</p>

Profitable growth and high morals create a solid and reliable Aktia

We aim to grow the business of Aktia and ensure its profitability. We are monitoring the development of our profitability and our financial solidity in line with the financial targets for the strategy period. We act in compliance with high moral standards. These are the elements that the solid and reliable Aktia is made of.

We grow profitably

Financial success, increasing profitability and financial solidity are the basic prerequisites of Aktia's business and corporate responsibility. Our aim is to keep the Common Equity Tier 1 capital ratio (CET1) above the regulatory requirements.

Our governance is transparent

We strive for transparency and openness in our administration. We provide a correct and comprehensive picture of Aktia as an investment subject e.g. by regularly updating our investor relations strategy and by keeping our website up to date. We always publish the information required in regulations and ensure that important key information regarding corporate responsibility is available at our website.

As a Finnish company, we pay salaries, pensions and taxes in Finland and in accordance with Finnish law and Finnish collective agreements.

The code of conduct supports our employees

To support its employees, Aktia has included in its code of conduct a list of main instructions that employees must follow in their work. Among other things, the group's code of conduct includes instructions regarding access to premises and the use of the group's IT system, the role of employees as Aktia representatives,

managing your own affairs and those of your friends and immediate family at Aktia, secondary occupations and positions of trust, as well as non-disclosure of Aktia's trade secrets. Customer relations are the most important element of Aktia's business, and so the code of conduct also includes the main rules concerning confidentiality and processing customer complaints.

All Aktia's employees are obliged to follow the code of conduct. According to the code, all employees must maintain the trust of customers and the markets on Aktia. The personnel are regularly trained in the code of conduct.

The code of conduct includes an instruction for the group's employees to report any infringements of the code of conduct and actual or suspected non-ethical business methods ("whistleblowing").

We ensure the confidentiality and data security of customer data

In its operations, Aktia observes EU's General Data Protection Regulation (GDPR), good banking and insurance practices as well as a comprehensive range of data protection requirements and standards. We seek to use our best endeavours to ensure the confidentiality of customer data and to prevent data breaches and other data security infringements.

We regularly organise training sessions for our personnel regarding the confidentiality of customer data, protection of privacy and data security. Our aim is to have all our employees complete online training on data protection at regular intervals.

We prevent money laundering, corruption and the financing of terrorism

Aktia is constantly striving to identify and define major risks. Most risks are associated with money laundering and the financing of terrorism. The legislation on money laundering sets strict requirements for knowing the customer and for identifying the risks. As a responsible bank, Aktia seeks to constantly monitor the changing market and behaviour patterns and to develop its processes for identifying and preventing any misconduct.



Aktia's internal rules, routines, system support and training support the personnel in its work. That allows Aktia to ensure that the Group companies and services are not utilised for money laundering.

Aktia's employees are regularly trained to ensure that they are familiar with the Group's principles for preventing money laundering. Our aim is to have all our employees to regularly complete the online training sessions regarding money laundering, corruption and bribery, also in 2019. At the beginning of 2019, Aktia revised its code of conduct regarding corruption and bribery.

We procure services in a responsible manner

Aktia has a relatively small supply chain. Our suppliers are mainly Finnish service providers, with just a few European exceptions. In 2018, we purchased services from external service providers for approximately EUR 7 million.

We are convinced that the service providers providing services of high quality also take the social and ethical aspects as well as environmental matters into account in their operations. Our aim is to produce a supply chain risk analysis in 2019, together with separate ethical instructions for service providers.

Partner for economic welfare

Our activities are based on long-term returns. The prerequisites for this are our specialists' solid competence as well as responsible investment and financing solutions for our customers. We are convinced that we can also use investments to influence the development of societies. For this reason, our responsibility is reflected both in our day-to-day investment solutions and in active ownership. In order to prevent over-indebtedness, we always offer financing solutions based on a comprehensive review of our customers' exposures.

We invest responsibly

Aktia's responsible investment business is based on the idea that a company operating responsibly and in compliance with sustainable norms is in the long run more competitive than a company that ignores those norms.

Principles of responsible investing

Our investment decisions are guided by Aktia's principles of responsible investing. At Aktia, responsible investing is based on the values of several major conventions and norms, such as the UN's Universal Declaration of Human Rights and its Sustainable Development Goals. Aktia has signed the United Nations Principles for Responsible Investment (PRI), which mean that Aktia is committed to taking the environment and society into account and to observing good governance in its asset management. Responsible investing refers to all actions taking into account the factors associated with the environment, society and good governance (the ESG factors).

Aktia Asset Management has also signed the international Climate Action 100+ aimed at affecting companies with some of the largest atmospheric emissions. Aktia is also a member of Finland's Sustainable Investment Forum ry (FINSIF) promoting responsible investment, as well as a member of the Standards Board for Alternative Investments (SBAI).



RESPONSIBLE INVESTMENTS INTO MARKETS PROVIDING ATTRACTIVE INTEREST YIELD

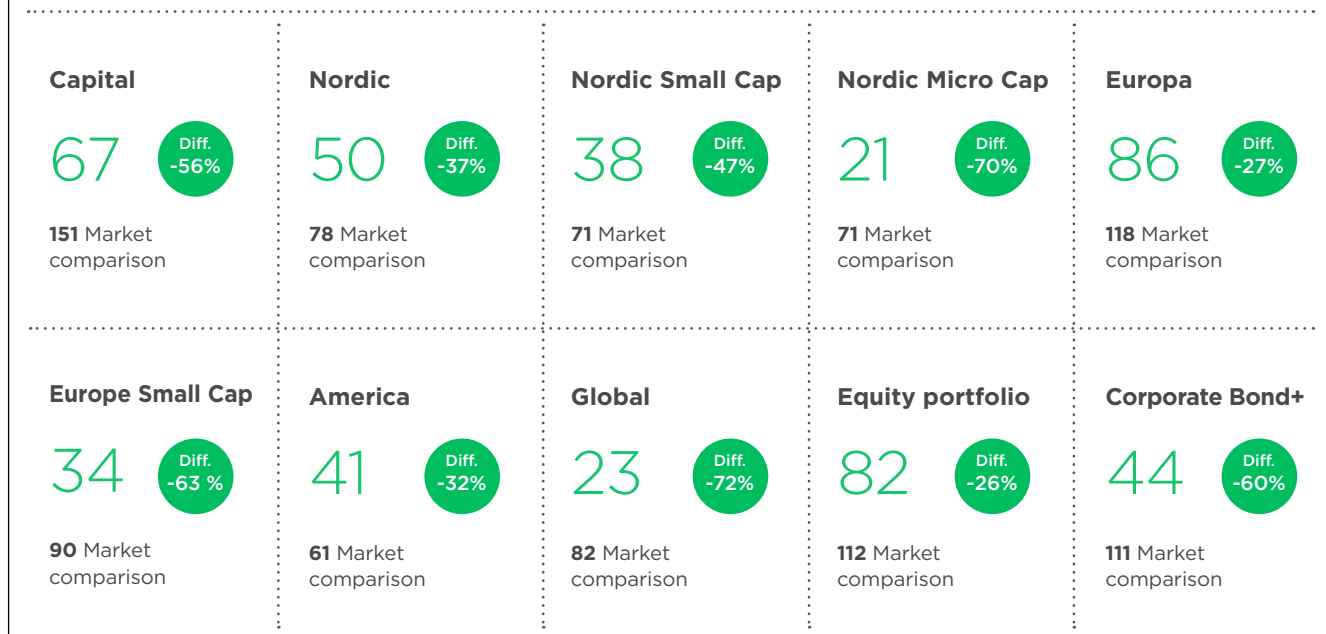
Aktia's emerging economies fixed-income funds have a long track record with multinational AAA-rated institutions. Our AAA-rated investments have allowed us to expand our investment universe to several markets providing attractive yield which otherwise remain rather closed or difficult to access. In 2018, we invested in an Uzbekistan som-denominated bond issued by the International Finance Corporation (IFC). IFC is the largest institution financing the private sector in emerging economies with the resources to control the application of its financing.

One key aspect of the loans issued by multinational institutions is that the financing is used to address actual problems while also taking into account the ethical aspects so that the funds are actually used for the intended purpose.

On the basis of our analysis regarding the economy, politics and social fundamentals, we have classified Uzbekistan as a country that is currently not receiving direct financing from our emerging economies funds. We have kept Uzbekistan in this category although positive steps have been taken in the country since the change of power some two years ago; among other things, the freedom of press has improved, political prisoners have been released and human rights observers have been admitted to the country. Furthermore, capital controls have been eased, and, for example, Uzbekistan-based companies are no longer forced to sell their foreign currency takings to the state at a poor exchange rate. According to a report issued by the International Labour Organisation (ILO), the systematic use of child labour for harvesting cotton has been discontinued, and the government has in general taken clear actions for eradicating the use of forced labour. The use of forced labour for harvesting cotton, important for the national economy, has been one of the most obvious grievances in Uzbekistan ever since the 1970s.

However, in spite of the positive developments, improving the eligibility of Uzbekistan for investments will still require more clear evidence of progress also continuing in the future and guarantees of an application of funds raised by government bonds in a way that is for the common good and supports the country's development.

Aktia's climate work is done even through our funds. The carbon footprint of ten of our audited equity and fixed income funds is on average 49% smaller than on the reference market.



Norm-based screening and influencing companies

Since 2017, we have cooperated with ISS Ethix, a pioneer in norm-based shareholder influence. The cooperation is based on norm-based screening; ISS Ethix monitors the holdings of our funds by applying the criteria based on the UN's Global Compact principles and identifies companies that have failed to act in compliance with the Global Compact principles. Most of the companies where we have invested operate in compliance with these principles so that ISS Ethix has not found any cause for comments. ISS Ethix engages in discussions on behalf of Aktia to influence companies that have failed to act in compliance with the said criteria.

During 2018, we participated through ISS Ethix in discussions for influencing 100 different companies. Of these discussions, 26 had to do with human rights and the environment, 19 with employee rights and 20 with verified or suspected problems regarding corruption. 16 discussions had to do with several or overlapping problematic areas.

Climate work in asset management

The global carbon dioxide emissions are a topical problem attracting more and more attention. As an asset manager, Aktia is in a position

where it can affect the environment through its investment decisions, and studies have shown that Aktia's investment process leads to a smaller carbon footprint than the reference market. In December 2018, the carbon footprint of our funds was on average 48% smaller than that of its reference market. Aktia reports the carbon footprint of its own direct equity funds twice a year.

Development of the carbon footprint of funds

In June, before the G7 meeting, Aktia signed a letter from global investors to the governments of G7 countries where the global investors urged the leaders of G7 countries to implement actions for attaining the goals of the Paris Agreement on climate change, to promote the investments required for migration to low-carbon economy, to give up the subvention of fossil fuels, to set a meaningful price for carbon emissions and to support the improvement of reporting frameworks associated with climate change. Aktia is also a signatory to CDP's water and forest initiatives. In spring 2018, Aktia participated in CDP's Non-Discloser campaign encouraging listed companies to report their greenhouse gas emissions.

Aktia publishes regular reviews on responsible investing. The latest review is available on Aktia's website.



Lending with focus on responsibility

Financing is a key part of our service offering at Aktia, and it supports our efforts to create long-term customer relations. All lending is based on the customer's ability to pay and is preceded by a detailed risk assessment that evaluates this using the best available tools. Risk assessment evaluates the customers' ability to repay and allows us to satisfy ourselves that customers will be able to fulfil their obligations. Interest rate risks are also taken into account when assessing the ability to repay, and we also investigate the long-term financial situation of customers. The repayment plans for housing loans are drawn up to allow for adjustments.

At Aktia, customers are encouraged to save so that they create a buffer for unanticipated expenses or changes in their situation. An up-to-date credit rating always forms the basis for every credit decision, and Aktia actively monitors any changes in credit ratings. All our lending is based on our objective to prevent over-indebtedness, and we are constantly monitoring the quality of our credit decisions.

Housing and consumer loans can be supplemented with an insurance policy that secures the ability to repay in the event of unemployment or illness.



We act responsibly and always take customers' needs and the possibilities provided by social developments into account in our activities.

Markus Lindqvist,
Responsible investments,
Aktia Asset Management

The lending business has been affected by several official requirements, of which the housing loan regulations, for example, have imposed further requirements for customer information and stronger consumer protection. As a responsible operator, we comply with the decisions of public authorities and refrain from contributing to arrangements intended for circumventing legislation or regulation.

Working for our customers

Aktia offers its customers a versatile range of investment and financing solutions, and we aim to provide our customers with products and services that best serve their needs. We are actively developing our service models and take into account the possibilities of digital transformation for improving our products and services.

Customer satisfaction is one of the key indicators for how well we serve our customers. According to EPSI Rating Finland (European Performance Satisfaction Index), the confidence of private customers in the banking sector has risen in the last year to 75 (71.2). For private customers, customer satisfaction in Aktia was 77.5 in 2018, virtually the same level as in 2017 (77.3). However, confidence in the banking sector among corporate customers has risen to 79.9 (77.1).

Aktia measures and follows up customer satisfaction using an NPS (Net Promoter Score). According to the surveys, Aktia's customers are very happy with their customer relationships. Aktia's strengths include friendliness, security, expertise and good handling of customers' problems, which is in line with our promise to provide responsible banking services. As development issues, Aktia has identified its accessibility through digital channels and the development of products and services.

Climate-smart possibilities of digitalisation

Utilising digitalisation improves the customer experience.

Aktia considers the basic premise to be that our customers can take care of their daily banking business easily and flexibly in the manner that best suits them – online, by phone or in a branch office. Customers handle most of their daily business online, and the number of online banking agreements has been constantly increasing in the past few years. In 2018, the number of online banking agreements of private customers increased by approximately 2.8% and that of corporate customers by 6.2%. The growth of online banking agreements and log-ins to the online banking service is an indication of the digitalisation trend and shows that customers appreciate functional and flexible digital services.

In 2018, Aktia participated in the *Nettiä ikä kaikki* campaign, organised by the Finnish Broadcasting Company and aimed at improving people's digital skills in Finland. In conjunction with the campaign, Aktia tested a new service concept and provided in some branches guidance to its digital services. During the campaign, interested customers were familiarised with various matters including online banking, the use of payment cards and electronic identification using online banking codes. At the same time, Aktia surveyed its customers' interest in services responding to these needs.

Utilising digitalisation for granting credits improves the customer experience. The automation of granting credits enabled by digitalisation makes it easier to make credit decisions and also improves the quality of these decisions. The automation of routine credit decisions reduces the operative risk, makes the decisions more traceable and objective and allows using the skills and resources for more demanding decisions.



DIAS – HOME BUYING TURNS DIGITAL THROUGH COOPERATION

Aktia is actively involved in the development work for digital housing transactions. Together with other Finnish banks, technology company Tomorrow Tech and public authorities, we established an electronic housing transaction process in 2018, allowing the housing transactions to be completed in the future as quickly as in one quarter of an hour.

The work for digitalising housing transactions culminated in March 2018 with establishing DIAS, the digital platform for housing transactions. DIAS serves as a system between estate agencies, property developers and banks and facilitates the digitalisation of housing transactions. The platform is based on blockchain technology.

The actual digitalisation of transactions regarding housing company shares began at the beginning of 2019 and will progress gradually. From the beginning of 2019, all new housing company shares will be established electronically when the act governing the apartment data system enters into force. The ownership and pledging details of new shares will be entered directly in the register maintained by the national Land Survey of Finland. The transition period for old housing companies begins on 1 May 2019 and ends at the end of 2022. All housing companies must transfer their share registers to the apartment data system during this period.

Digital housing transactions will bring significant financial benefits. According to the impact assessment carried out by the Government in autumn 2017, the total benefit to housing company managers, property developers and buyers of housing company shares will be EUR 37.5–44.5 million per annum.

In practice, this change means that the apartment transaction process is completed in a few minutes and there is no longer any need for buyers and sellers to visit a bank branch in the middle of the working day to complete the transaction. In addition to making the customer's business more fluent, the new system will also reduce the amount of manual work at the banks by making routine tasks automatic and releasing the time of professionals for work with customers.

Aktia is actively striving to participate in the development of information society, and during the past year, we participated in the development of DIAS, the digital system for housing transactions. DIAS is a platform for transactions regarding housing company shares, joined by a comprehensive group of operators in the housing trade, such as banks, estate agents and property developers. DIAS allows carrying out housing transactions digitally. It is a safe and stable platform that is responsible for the transaction process and takes care of the transfer of information between banks, the seller's and buyer's signatures, transfer tax and other levies and also registers the change of ownership in the apartment register maintained by the National Land Survey of Finland. The DIAS platform is based on secure blockchain technology.

In addition to the traditional service channels, Aktia in partnership with Finland's biggest chain of convenience stores R-kioski offers bills payment in all the approximately 600 R-kioski stores in Finland. Private individuals can pay their bills at R-kioski irrespective of their bank.

Responsible marketing

Aktia's marketing activities are governed by the principles of responsible marketing, the Finnish marketing law, as well as instructions issued by the Finnish Competition and Consumer Authority and the Financial Supervisory Authority. In its marketing activities, Aktia aims at transparency and divulging such essential information about the products and services which may influence customer's decisions. The transparent pricing of the products and services we offer is of paramount importance to us, and we strive to have clarity and openness both in our advisory services and sales materials.

As stipulated by national law and directives, Aktia has limited its marketing targeted at persons under age. The limited legal capacity of both minors and incapacitated persons with regard to signing agreements on certain bank services has been taken into account in marketing. No major infringements of the regulations and voluntary codes for marketing, advertising or sponsoring have been reported for 2018.

Together towards a better working life

Aktia aims to be the preferred employer in the financial sector, and this is one of the main themes of our corporate responsibility programme. The objective of that theme is the long-term development of management and employee experience as well as the promotion of well-being and health. During 2018, we invested significant resources in the holistic well-being of personnel as well as in the development of competence and rewards.

Our values created together with the personnel – courageously, skilfully and together – guide our activities and choices. The values constitute the basis of our activities and form a common frame of reference and a common language for our organisation. The values also constitute the framework of our corporate culture and serve as a guide in our everyday work and decision making.

Bravely outside the comfort zone

Above all, 2018 was a year of strong development and reform. A common direction was created as the result of the strategy renewed in 2017 and focusing on the new strategy has during the past year been evidenced as a positive change in our organisation.

The organisational change always requires brave challenging of the work community, and the year has required our personnel to venture to question old and familiar ways and the courage to actively step outside one's own comfort area. Many of the goals we set for the past year have been attained together by involving the personnel, by strengthening methods of operation and by developing the coaching management skills of managers.

Personnel satisfaction is directly linked with customer satisfaction and thus also with the company's financial performance. In the past year, Aktia has systematically worked for personnel satisfaction, and the long-term work has borne fruit.



AKTIAWELLBEING - NEW TOOLS FOR WELL-BEING

When thinking of well-being, we easily focus solely on physical aspects. However, the emotional and mental dimensions are at least equally important. In a working environment this often culminates in developing one's own expertise, predominant culture and employee-manager relationships. Imbalance in these can reflect to the physical side in the form of irritation and fatigue. To improve the well-being of its employees, Aktia started a reform project of its occupational healthcare services at the end of 2018. In the beginning of 2019, Aktia and its selected occupational healthcare partner Mehiläinen launched a service programme, AktiaWellbeing, focusing on pre-emptive healthcare. AktiaWellbeing provides every Aktia employee a possibility to find new tools and receive coaching in different areas of well-being such as recovery, neck and shoulder issues, nutrition or mental aspects. The concept combines high-quality well-being services into comprehensive occupational and general healthcare in a new and unique way. The services will be developed based on the needs. The programme, available for all Aktia employees, highlights the importance of pre-emptive work and provides ideas and tools for self-management, stress control, recovery and exercise.

The employee experience is measured using the eNPS metric that shows the employees' willingness to recommend Aktia as an employer, and the eNPS score has been constantly improving since the organisational change in 2017. The response rate of the personnel satisfaction survey carried out in autumn 2018 was high, and the results were good as a whole. Our goal regarding eNPS is higher than 0, and in the latest survey, our eNPS score was -7. The results reflect the trust and confidence the personnel have in Aktia's new strategy. The importance of the immediate team and immediate manager was also highlighted. Another personnel satisfaction metric deployed by Aktia is the Leadership Index where our goal is 69 and the latest score 78.



Development of personnel competence for boosting competitiveness

During 2018, we have invested resources particularly in the definition and development of Aktia's strategic competencies with the aim of strengthening Aktia's competitiveness, distinguishing Aktia from its competitors and supporting Aktia's growth strategy.

We want to manage Aktia's competence in a strategy-oriented manner, systematically and in the long run. Aktia's competence management model was reformed during the year, and the new AktiaWay competence development process is based on a 70-20-10 model, where every individual is an active actor in competence management and understands his/her own role as a competent actor and in implementing Aktia's strategy.

AktiaWay is a competence development method that allows us to utilise the competence of Aktia employees in a diverse manner and to develop competence from individual starting points. The competence of each employee is regularly discussed. This will produce person- and team-specific development measures that are smoothly integrated with daily work and are evidenced as learning at work, usually together with others.

Aktia is committed to develop the managers' managerial skills on a long-term basis, and during the past year, we launched new management principles based on Aktia's values. In 2018, Aktia's managers have participated in training aimed at harnessing the values and management principles of Aktia in active use by every manager and as an integral part of everyday work. A number



The past year was a new beginning for our entire organisation.

Anu Tuomolin, HR Director

of our employees in managerial positions have during the past year completed the AktiaWay Leader training package and thus received new tools for their career paths. AktiaWay Leader is part of the AktiaWay competence development package and provides new perspectives for managerial work. Self-knowledge, facing people and coaching management style have been the main themes of the training package, and the feedback from our personnel for the training package has been exclusively positive.

Equality and diversity as competitive advantages

Aktia respects diversity and equality. Diversity is an essential part of the organisation's operational ability, and we believe that the diversity of our personnel will create competitive advantages both in business operations and in competition for best possible personnel.

We seek to promote diversity and equality throughout our HR policy. The equal treatment of personnel starts from recruitment, and we strive to ensure the diversity of our personnel through our recruitment processes. We are committed to guaranteeing equal opportunities for all applicants and to ensuring equal treatment in recruitment situations.

We are monitoring the gender division of our personnel, and in 2018, 35 per cent of Aktia employees were male and 65 per cent female. These percentages have not changed significantly from 2017. The percentage of women in top management has slightly increased: in 2018, 55 of the Management Team members were female.

Promoting holistic well-being

AktiaWellbeing, the occupational health and well-being cooperation programme started from the beginning of 2019 with Mehiläinen is another example of our investments in personnel. The purpose of the AktiaWellbeing programme is to activate and

encourage Aktia employees to look after themselves, both at work and in their free time. The concept combines in a new, unique way high-quality well-being services with comprehensive occupational health services, and the program will allow our employees to utilise new tools and receive coaching for different aspects of well-being.

Aktia seeks an active dialogue with its entire personnel regarding different personnel-related themes. To this end, Human Capital Board activities were initiated in 2018 for bringing together different parts of the organisation and personnel in different roles. Human Capital Board discusses and creates ideas regarding personnel-related matters such as competence management, the contents of services for well-being at work and development reviews.

We take into account the environmental impacts of our operations

Aktia is working to contribute to a more sustainable society through innovative products and services. We work towards reducing our environmental and climate footprint in connection with business travel and endeavour to reduce our environmental impact through increased resource and energy efficiency. However, Aktia's environmental impact is relatively small.

Our direct environmental impact comes from the consumption of energy, materials, equipment, travel and transport. In recent years, the digital trend has contributed to reduced environmental impact. One concrete measure is to reduce environmental stress including that caused by business travel. Aktia encourages the use of public transport instead of private cars for work-related travel and the use of telephone and video conferences to avoid unnecessary travel.

Aktia endeavours to improve the routines for managing environmental issues and encourages the use of environmentally friendly solutions in day-to-day activities. Aktia works to continuously raise awareness of environmental and sustainability issues within the company.

Interaction with stakeholders

Stakeholders are a major resource for Aktia. Our main stakeholders are the customers, personnel, shareholders and investors as well as various societal actors such as authorities, partners and the media. We want to maintain an ongoing and open dialogue with our stakeholders in order to develop our activities. Cooperation with different stakeholder groups helps us assess their expectations and respond to them.

Active dialogue with our stakeholders is part of our ongoing development work for product, services and corporate responsibility, and it allows us to identify those aspects of our operations that we must prioritise and improve. Dialogue and close cooperation are the main methods for promoting consensus with our stakeholders. Stakeholder dialogue allows us to keep up to date with their demands on and preferences for Aktia.

We actively communicate with our stakeholders through various channels. The most important tools for communication are the company's website, social media, press and stock exchange releases, customer messages and regular customer information to selected customer groups.

We investigate the views of our stakeholders with stakeholder surveys and utilise the results for developing our activities.

Aktia's role in society

We seek to have an active role in society. A significant part of our earnings is returned through our shareholders to society as grants and subsidies. Through our activities, we are actively participating in all fields of society. Open and transparent cooperation with authorities, partners and the media is important to us. We also want to be an important actor in society at the local level.

We participate in various industry forums in order to discuss trends, challenges and opportunities. We monitor and assess the public debate regarding our industry. We meet with representatives for both the national and local media to discuss topical issues. We maintain constant contacts with the authorities. Participation in seminars, local events, trade fairs and projects, gives us excellent opportunities to listen to and learn from our stakeholders.

Effective responsibility work with young people

During the past year, Aktia started corporate responsibility work with Christmas donations to Icehearts ry and Nuori Yrittäjyys ry. The goal of Nuori Yrittäjyys ry is to have young people recognize and utilise their capabilities – by learning at work. Nuori Yrittäjyys creates programmes supporting entrepreneurial attitude, working life skills and financial management for young people, and these programmes are implemented as part of the school curriculum. Icehearts ry supports children and young people at risk of social exclusion with the help of hobby activities. The cooperation is part of Aktia's extensive social responsibility work, and the work for building long-term partnerships with the societies will also continue in 2019.

Report by the Board of Directors

Report by the Board of Directors

Mikko Ayub, new CEO at Aktia

On 6 August 2018, the Board of Aktia Bank Plc appointed Mikko Ayub (M.Sc., MBA) as new Chief Executive Officer. Mikko Ayub is moving to Aktia from Nordea Bank where he most recently has been Executive Advisor for the Commercial and Business Banking operations and before that he was responsible for the Markets operations in Finland, Baltics and Russia. Mikko Ayub started as CEO on 1 October 2018.

Aktia renews its Executive Committee

On 23 November 2018, Aktia Bank Plc announced that the Bank will renew its Executive Committee to more efficiently implement its strategy. As of 1 January 2019, Aktia will have three business areas, Private customers and Corporate customers within the Banking business and Asset Management.

Aktia decreased its holding in Aktia Real Estate Agency

Aktia Bank Plc decreased its holdings in Aktia Real Estate Agency Ltd to 19 % at the beginning of July. The change in the ownership structure supports the implementation of Aktia's new strategy and will improve Aktia Real Estate Agency's possibilities within its own branch. The transaction had no significant impact on the Group's result and financial position. The close cooperation between Aktia Bank and the Real Estate Agency continues even after the change in the ownership structure.

Aktia divested its holding in Folksam Non-Life Insurance Company

In October, Aktia Bank Plc has made an agreement to sell its remaining 10 % holding in Folksam Non-Life Insurance Company Ltd to Fennia Mutual Insurance Company. Aktia Bank is now completely focused on carrying out the strategy, which focuses on asset management and financing solutions, while competitive non-life insurance and pension insurance products are offered through partners.

Moody's upgraded Aktia's rating

In July, the credit institution Moody's upgraded the long- and short-term deposit ratings of Aktia Bank from A3/P-2 to A1/P-1 and the long-term Senior Unsecured debt rating from A3 to A1.

The main reason for the upgraded rating was the consistent improvement in Aktia's financial performance during the last two years, including successful diversification of the bank's mixed income through expanding asset management operations.

Combining the R and A shares

Aktia Bank Plc's Annual General Meeting approved the Board of Directors' proposal that the company's R and A shares should be combined without increasing the share capital, so that after the combination the company will have only one share class. The Annual General Meeting also accepted the amended Articles of Association and the directed, payment-free issue of new shares to the holders of R shares each received three new payment-free shares for every batch of 25 R shares that they own. All in all, 2,383,851 new shares were issued to the holders of R shares. The combination was registered on 12 April 2018. Trading with the new share together with the existing share commenced on 13 April 2018 under the ISIN code FI4000058870 and the trading symbol AKTIA.

Expanding to the international market

Aktia expanded sales of its specialist knowledge of emerging market government bonds to international markets. The new cooperation with the German company Universal-Investment GmbH, the largest independent manager in German-speaking Europe that offers investment services, continued. The company has over EUR 340 billion in assets under management and offers its customers over 1,000 private-label funds and mandates. Universal-Investment GmbH manages and distributes Aktia's funds through its sales organisation to institutional investors in German-speaking Europe.

Aktia's asset management at the top of Finnish fixed-income fund management again

Aktia was again chosen as the Best Finnish Fixed Income Manager in Morningstar's competition "Finland Awards 2018". Additionally, the Aktia Corporate Bond+ fund finished among the three best funds in the Fixed Income Funds category. Asset Management at Aktia has been at the top in Morningstar's surveys since 2013. The long-standing success proves the outstanding expertise within Aktia. Aktia's Wealth Management has specialised in three main areas within fixed income fund management: global inflation, European corporate bonds and government bonds issued in emerging markets.

Aktia Bank introduced a new share savings plan

To support the implementation of Aktia's new strategy, the Board of Aktia Bank Plc decided to introduce a new long-term share savings plan for the employees of the Aktia Group. The aim is to encourage Aktia's employees to invest in and hold the company's shares, and with that, to rectify the interests and engagement of the staff and management towards value development and increased shareholder value.

Business environment

The difficult negotiations regarding foreign trade between the US and China as well as concerns about the economic outlook on a broader level caused significant turbulence on the investment market at the end of the year.

The decrease in the world stocks and thus the low return on the stock market continued throughout the last quarter. Both the American S&P 500 index and the domestic OMX Helsinki Cap index decreased by approximately 14 % during the last quarter. The Nordic banking sector's index (N Bank's EUR PI) decreased by approximately 15 % during the fourth quarter and 19 % during 2018. The Aktia share (AKTIA) increased by 5.6 % during 2018, but decreased by 2.0 % during the last quarter of the year. The Euribor rates mainly remained unchanged. The long reference rates and government bonds decreased due to the weaker cyclical development and the increased political risk.

The European Central Bank ceased its pegging purchases at the turn of the year. The first interest rate increase is expected during autumn 2019 but the uncertainty regarding this has increased due to a lower cyclical development in the euro area overall as well as a continued moderate development of inflation.

The financial development in Finland, based on the indicators we have, was relatively good during the last quarter 2018, but the uncertainty in the world economy weighted down the outlook. Statistics Finland's meter of the economic situation showed 3.2 % growth during October compared to the previous year, and the corresponding number in November was 1.8 %. The overall picture still looks relatively good but the downward risks in the prognosis are dominating.

In Finland the confidence is still on historically high levels even though the consumer confidence as well as the industry and service sector confidence have decreased from the highest levels in the beginning of 2018. There is still strong belief in the personal economy and many households see that the situation is favourable for further savings.

The inflation in Finland is still moderate both historically and in relation to the euro area. Consumer prices increased in December by 1.3 % while the corresponding number for the euro area was 1.6 %. The lower energy prices can already be seen in the inflation.

During autumn, investments and foreign trade have lagged while the consumption has continued to grow supported by the excellent employment development. In December, employment rates increased to 72.5 %. The unemployment rate has also decreased significantly during 2018 and during the last quarter unemployment decreased to 6.6 %.

The divided development on the Finnish real-estate market has continued and the overall picture of the development on the real-estate market is rather weak. The prices for older row and block house apartments have increased by 0.6 % during the year. The aggregated numbers are due to vast regional differences. The prices in the Helsinki region increased by 2.5 % while the prices decreased by 1.2 % in the rest of the country. However, in most growth centres the price development has continued favourably. The demand for mortgage loans was still strong, even though the hard competition for mortgage loan borrowers is still putting pressure on customer margins for new mortgage loans.

Key figures

Y-o-y	2019E*	2018E*	2017
GDP growth, %			
World	3.4	3.7	3.8
Euro area	1.5	1.9	2.4
Finland	1.8	2.4	2.8
Consumer price index, %			
Euro area	1.8	1.6	1.5
Finland	1.6	1.2	0.7
Other key ratios, %			
Development of real value of housing in Finland ¹	0.8	0.2	0.3
Unemployment in Finland ¹	7.0	7.4	8.6
Interest rates², %			
ECB	0.25	0.00	0.00
10-y interest rate, Finland	0.90	0.54	0.59
Euribor 12 months	-0.05	-0.12	-0.19
Euribor 3 months	-0.10	-0.31	-0.33

*Aktia's chief economist's prognosis 24 January 2019

1) annual average

2) at the end of the year

Rating

On 18 December 2018, Standard and Poor's confirmed its ratings of Aktia Bank Plc's creditworthiness. The ratings are A- for long-term borrowing and A2 for short-term borrowing, both with stable outlook.

On 2 July 2018, credit institution Moody's Investors Service upgraded (and confirmed on 28 December 2018) the long- and short-term deposit ratings of Aktia Bank from A3/P-2 to A1/P-1 and the long-term Senior Unsecured rating from A3 to A1. Baseline Credit Assessment (BCA) was upgraded to a3. Furthermore, the foreign and local currency Counterparty Risk Ratings (CRR) were upgraded to Aa3/P-1 and the long- and short-term Counterparty Risk (CR) Assessments were upgraded to Aa3(cr)/P-1(cr). The outlook on the long-term deposit and senior ratings was changed from positive to stable.

Moody's Investors Service confirmed the rating Aaa for Aktia Bank's long-term covered bonds.

	Long-term borrowing	Short-term borrowing	Outlook	Covered bonds
Moody's Investors Service	A1	P-1	stable	Aaa
Standard & Poor's	A-	A-2	stable	-

Transition to IFRS 9

The income statement for the year is reported according to IFRS 9, while the reference year for 2017 is reported according to the previous IAS 39 standard.

The new rules for recognition and measurement had at the time of the transition no significant impact on the Group's result or financial position but caused increased volatility mainly in the net income from life-insurance.

The transition to IFRS 9 brought a new model for calculating and reporting impairments. The new model can cause increased volatility for impairments of credits and other commitments, for net income from life-insurance and for net income from financial transactions.

Profit 2018

The Group's operating profit was EUR 67.6 (49.1) million. The Group's profit was EUR 56.0 (39.3) million. Operating profit excluding items affecting comparability increased by 9 % to EUR 65.4 (59.9) million.

Items affecting comparability

EUR million	2018	2017
Dividend from Suomen Luotto-osuuskunta	-	1.3
Net income from equity holding in Folksam Non-Life Insurance Company	4.0	-1.0
Value change of equity holding in Bohemian Wrappsody	-1.0	-
Profit from divestment of Aktia Real Estate Agency	1.1	-
Costs for restructuring	-1.8	-11.1
Total	2.2	-10.8

Income

The Group's operating income was at the same level as last year and amounted to EUR 210.1 (210.3) million. Operating income excluding items affecting comparability, however, decreased to EUR 206.1 (210.0) million.

Net interest income decreased by 4 % to EUR 85.9 (89.6) million. The net interest income from borrowing and lending increased by 2 % to EUR 70.1 (69.1) million, even though last year includes interest income of EUR 2.0 million from unwound mortgage bank loans. Continued low market interest rates, and thereby lower interest income from the Bank's liquidity portfolio, decreased the Group's net interest income by EUR 6.6 million. Interest income from the 2012 unwound interest rate hedges decreased by EUR 4.1 million to EUR 10.3 (14.4) million. In June, the European Central Bank set the expense for Aktia's TLTRO refinancing and during the year a positive impact on the net interest income of EUR 3.5 million was recognised.

Net commission income increased by 5 % to EUR 95.6 (91.4) million. Net commission income from borrowing and lending amounted to EUR 13.8 (12.1) million, which corresponds to a 14 % increase. Commission income from mutual funds, asset management and securities brokerage increased by 10 % to EUR 59.6 (54.2) million. Card and other payment service commissions increased by 18 % to EUR 24.4 (20.7) million.

The net income from life insurance decreased by 20 % to EUR 21.4 (26.6) million. The actuarially calculated result has increased from last year while the net income from investment activities has decreased. The transition to IFRS 9 caused increased volatility in the net income from life insurance and the year includes value changes of EUR -4.6 million.

Net income from financial transactions was EUR 4.9 (0.8) million. In November, Aktia divested its remaining holdings in Folksam Non-Life Insurance, which resulted in a EUR 4.0 million sales gain. Net income from hedge accounting was EUR -0.4 (-0.3) million.

Other operating income amounted to EUR 2.3 (1.5) million and includes a EUR 1.1 million sales gain from the divestment of Aktia Real Estate Agency.

Expenses

The operating expenses amounted to EUR 143.0 (160.7) million. Operating expenses excluding items affecting comparability decreased by 6 % to EUR 141.2 (150.0) million.

The staff costs amounted to EUR 66.7 (79.1) million. The year includes costs for restructuring, amounting to EUR 1.8 (9.2) million. Comparable staff costs decreased by 7 % to EUR 64.9 (69.9) million.

IT expenses decreased by 16 % to EUR 25.6 (30.5) million due to lower operating costs.

Depreciations of tangible and intangible assets amounted to EUR 12.4 (9.5) million, of which depreciation for the core banking system amounted to EUR 6.1 (3.0) million.

Other operating expenses were EUR 38.3 (41.7) million and include EUR 2.3 million for the EU statutory expense to the fund for financial stability. The biggest decreases are attributable to marketing expenses and rental expenses. The reference year includes EUR 1.4 million in costs for restructuring.

Last year includes a EUR 0.5 million impairment of tangible assets, which relates to costs for restructuring.

Impairment of credits and other commitments were still low and amounted to EUR -0.8 (-0.6) million.

Balance sheet and off-balance sheet commitments

The Group's balance sheet total at the end of December was EUR 9,266 (9,550) million.

Liquidity

Aktia Bank's liquidity portfolio, which consists of interest-bearing securities, was EUR 1,368 (1,816) million. The short-term financing requirement was financed with repurchase agreements to a value of EUR 99 (146) million.

To monitor liquidity risks, a so-called survival horizon is used. The survival horizon measures how long the cash flows of the liquidity reserve will last to cover the contractual outgoing cash flows from the capital market without access to new financing. On 31 December 2018 the Bank Group would survive for over 21 months in a scenario with completely closed capital markets.

In addition, the liquidity risk is followed up by the Liquidity Coverage Ratio (LCR). On 31 December 2018 the LCR was 134 (161) %. The LCR level fluctuates among other things because of the maturity structure of the bonds issued by the bank.

Liquidity coverage ratio (LCR)*	31 Dec 2018	31 Dec 2017
LCR %	134 %	161 %

* LCR is calculated according to the resolution published by the EU Commission in October 2014. The authority's minimum requirement for LCR is 100 %.

Borrowing

Borrowing from the public and public sector entities decreased to EUR 3,963 (4,119) million. At the end of December Aktias market share of deposits was 3.3 (3.5) %.

In total, the value of bonds issued by the Aktia Group was EUR 2,460 (2,451) million. Of these, EUR 1,666 (1,669) million was covered bonds issued by Aktia Bank.

During the year, Aktia Bank issued a new long-term covered bond to a value of EUR 500 million and a maturity of 5 years. The issue was carried out to very favourable terms and it was oversubscribed more than 2.5 times. As security for the CB issue, bonds with a value of EUR 2,264 (2,110) million were reserved at the end of December.

During the year, Aktia Bank has also issued new long-term unsecured bonds to the value of EUR 250 million within the scope of the bank's EMTN programme, which were carried out to repay the EUR 235 million bonds that matured during the year and to ensure that the bank meets the future regulatory requirements.

Lending

Total Group lending to the public amounted to EUR 6,106 (5,839) million at the end of December, an increase of EUR 267 million.

Loans to private households accounted for EUR 4,756 (4,714) million, or 77.9 (80.7) % of the loan book.

The housing loan book totalled EUR 4,698 (4,655) million, of which the share for households was EUR 3,958 (3,971) million. Aktia's new lending to households amounted to EUR 811 (838) million. At the end of December, Aktia's market share in housing loans to households was 4.1 (4.2) %.

Corporate lending accounted for 11.6 (10.1) % of Aktia's loan book. Total corporate lending amounted to EUR 707 (592) million. Loans to housing companies increased by 23 % to EUR 604 (491) million, making up 9.9 (8.4) % of Aktia's total loan book.

Loan book by sector

(EUR million)	31 Dec 2018	31 Dec 2017	Δ	Share, %
Households	4,756	4,714	42	77.9 %
Corporates	707	592	116	11.6 %
Housing companies	604	491	112	9.9 %
Non-profit organisations	35	38	-3	0.6 %
Public sector entities	4	4	0	0.1 %
Total	6,106	5,839	267	100.0 %

Financial assets

Aktia Group's financial assets consist of the liquidity portfolio of the Bank Group and other interest-bearing investments amounting to EUR 1,368 (1,816) million, the life insurance company's investment portfolio amounting to EUR 551 (574) million and the real estate and equity holdings of the Bank Group amounting to EUR 4 (9) million.

Technical provisions

The life insurance company's technical provisions amounted to EUR 1,156 (1,217) million, of which EUR 757 (802) million were unit-linked. Interest-related technical provisions decreased to EUR 399 (415) million.

Equity

Aktia Group's equity amounted to EUR 590 (598) million. The fund at fair value decreased to EUR 18 (52) million. EUR 24 million of the total decrease of EUR 34 million is attributable to the reclassifications in conjunction with the implementation of IFRS 9.

Commitments

Off-balance sheet commitments, consisting of credit limits, other loan promises and bank guarantees amounted to EUR 519 (553) million.

Managed assets

The Group's total managed assets amounted to EUR 10,973 (10,563) million.

Assets under management comprise managed and brokered mutual funds and managed capital in the subsidiaries in the Wealth Management segment. The assets presented in the table below reflect net volumes, so that AuM in multiple companies have been eliminated.

Group financial assets comprise the liquidity portfolio in the Bank Group managed by the treasury function and the life insurance company's investment portfolio.

Managed assets

(EUR million)	31 Dec 2018	31 Dec 2017	Δ %
Assets under management	8,860	7,961	11 %
Group financial assets	2,113	2,602	-19 %
Total	10,973	10,563	4 %

Capital adequacy and solvency

At the end of the year, the Common Equity Tier 1 capital ratio of Aktia Bank Group (Aktia Bank Plc and all its subsidiaries except Aktia Life Insurance Ltd) was 17.5 (18.0) %. After deductions, Common Equity Tier 1 capital increased by EUR 8.7 million during the year which improved the CET1 capital ratio by 0.4 percentage points. Risk-weighted commitments increased by EUR 119.0 million which reduced the CET1 capital ratio by 1.0 percentage points. The change is mainly attributable to the risk weight floor of 15 % for mortgage loans which increased risk-weighted commitments by EUR 225.9 million. During the year the corporate exposures have also increased.

The Bank Group applies internal risk classification (IRB) to the calculation of capital requirement for retail and equity exposures. For other exposures the standardised approach is used. A total of 57 (54) % of the Bank Group's exposures are calculated according to the IRB approach. Aktia has submitted an IRBA application regarding corporate exposures (Foundation Internal Ratings Based Approach, F-IRB) and unsecured credits (Advanced Internal Ratings Based Approach, A-IRB) to the Financial Supervisory Authority.

Capital adequacy, %	31 Dec 2018	31 Dec 2017
Bank Group		
CET1 capital ratio	17.5	18.0
T1 capital ratio	17.5	18.0
Total capital ratio	20.5	23.4
Aktia Bank		
CET1 capital ratio	16.9	17.9
T1 capital ratio	16.9	17.9
Total capital ratio	20.0	23.2

The total capital requirement for the banking business consists of a minimum requirement (so-called Pillar 1), buffer requirement based on assessment (so-called Pillar 2) and other buffer requirements. The minimum requirement for CET1 capital ratio under Pillar 1 is 4.5 % and 8 % for the total capital ratio. Pillar 2 is specific to banks and is based on the Supervisory Review and Evaluation Process, SREP. The additional requirements for capital buffers increase the capital requirements and limit the distribution of profit if the CET1 capital ratio does not meet the requirements.

The Finnish Financial Supervisory Authority has set a consolidated Pillar 2 requirement for Aktia. The requirement amounts to 1.75 % and covers the concentration risk within credit risk and structural interest rate risk. For these risks there are no specific capital requirements (Pillar 1) in the EU's Capital Requirements Regulation (CRR). According to the decision, the requirement shall be met with CET1 capital. The requirement entered into force on 30 June 2017.

The requirement for the capital conservation buffer will increase the minimum requirement by 2.5 percentage points. The countercyclical buffer will vary between 0.0 and 2.5 percentage points and is calculated by taking the geographic distribution of exposures into account. The board of the Financial Supervisory Authority will quarterly decide the magnitude of the requirement for the countercyclical capital buffer for Finnish exposures based on analysis of macroeconomic stability. The latest decisions on the requirement (20 December 2018) set no countercyclical capital buffer requirement on the banks for Finnish exposures. Authorities in some other countries have set requirements for a countercyclical buffer and in cases when Aktia has exposures in those countries, the Group's capital requirement is increased. This requirement also applies to certain exposures in the Bank Group's liquidity portfolio. Aktia Bank Group's requirement for institute specific countercyclical buffer amounted to 0.05 % as per 31 December 2018, taking the geographic distribution of exposures into account.

Total capital requirement

31 Dec 2018	Buffer requirements						Total capital requirement
	Pillar 1 minimum requirement	Pillar 2 requirement	Capital Conservation	Counter-cyclical	O-SII	Systemic risk	
CET1 capital	4.50	1.75	2.50	0.05	0.00	0.00	8.80
AT1 capital	1.50	0.00					1.50
Tier 2 capital	2.00	0.00					2.00
Total	8.00						12.30

The Financial Supervisory Authority has defined Other Systemically Important Institutions (O-SIIs) in Finland and set buffer requirements for them. No O-SII buffer requirement was set for Aktia. Taking all buffer requirements into account, the minimum total capital ratio level for the Bank Group was 12.30 %, and 10.30 % for Tier 1 capital ratio at the end of the year.

The Finnish Financial Supervisory Authority's decision to introduce a minimum level of 15 % for the average risk weight on residential mortgage loans for credit institutions that have adopted the IRB approach entered into force on 1 January 2018. According to the decision the limit only applies to housing loans as defined in the Consumer Protection Act. At the end of the year, the average risk weight for such housing loans according to the IRB approach was 9.5 %. The minimum risk weight decreased CET1 by 2.0 percentage points.

The board of Financial Supervisory Authority has decided to put systemic risk buffer requirements for Finnish credit institutes. According to the Financial Supervisory Authority, the buffer requirement aims to strengthen the credit institute's structural systemic risk tolerance. The requirement varies between the credit institutes and a 1 % systemic risk buffer has been set for Aktia Bank Plc. The systemic risk buffer is to be met with CET1 capital and enters into force on 1 July 2019.

The Aktia Group has implemented IFRS 9 as of 1 January 2018. The transition to IFRS 9 had a marginal impact on the Bank Group's capital adequacy.

Aktia Bank Group's leverage ratio was 4.7 (4.5) %.

Leverage Ratio ¹	31 Dec 2018	31 Dec 2017
Tier 1 capital	384	375
Total exposures	8,111	8,259
Leverage Ratio, %	4.7	4.5

1) The leverage ratio is calculated based on end of quarter figures

The Financial Stability Board set the minimum requirement for Aktia Bank on eligible liabilities that can be written down (MREL requirement). The requirement set is twice the minimum capital requirement, including the total buffer requirement according to the Finnish Credit Institutions Act, however, at least 8 % of the balance sheet total. The requirement entered into force on 31 December 2018. Non-preferred senior instruments have been implemented into Finnish legislation during the last quarter.

MREL-requirement (EUR million)	31 Dec 2018	31 Dec 2017
RWA based	539.7	512.1
Balance sheet based	645.5	659.4
Own funds and eligible liabilities		
CET1	384.2	375.5
AT1 instruments	0.0	0.0
Tier 2 instruments	148.3	211.3
Other liabilities	660.6	566.1
Total	1,193.1	1,152.8

The life insurance company follows the Solvency II directive, in which the calculation for solvency requirements are measured at market value. According to Solvency II, the company calculates its Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) and identifies its available solvency capital within Solvency II. Aktia Life Insurance applies the standard formula for SCR, with consideration of the transitional measure for technical provisions in accordance with the permission granted by the Financial Supervisory Authority. The transition rule means that the solvency capital is adjusted with an addition that annually decreased linearly until 31 December 2031.

At the end of the year, SCR amounted to EUR 76,4 (85.1) million, MCR to EUR 22.7 (23.9) million and the available capital to EUR 175.5 (169.5) million. Thus, the solvency ratio was 229.8 (199.2) %. Without transitional measures SCR amounted to EUR 89.0 (98.6) million, MCR to EUR 24.7 (26.1) million and the available capital to EUR 125.8 (116.3) million. The solvency ratio without transitional measures was 141.5 (117.9) %. The transition to IFRS 9 had no impact on the solvency of Aktia Life Insurance.

The financial conglomerate's capital adequacy ratio was 166.1 (164.5) %. The financial conglomerate's capital adequacy increased during the year, due to increase in the conglomerate's capital base. The statutory minimum stipulated in the Act on the Supervision of Financial and Insurance Conglomerates is 100 %. The transition to IFRS 9 had no significant impact on the conglomerate's capital adequacy.

Segment overview

Aktia Bank's operations were divided into three business segments: Personal & Corporate Banking, Wealth Management and Group Functions. Operations not a part of the business segments are reported in the Other segment.

Personal & Corporate Banking

Personal Banking provides Aktia's private customers a wide range of financing, insurance, savings and investment products and services thorough various channels. The segment also comprises the concept Aktia Premium. Corporate Banking serves companies and organisations, from micro sized companies and associations to listed companies.

The segment's operating profit

(EUR million)	2018	2017	Δ %
Operating income	120.1	115.1	4 %
Operating expenses	-91.6	-99.5	-8 %
Operating profit	27.6	14.6	89 %
Comparable operating profit	28.2	23.1	22 %

The demand for housing loans is still high but hard competition for good housing loan borrowers is still putting pressure on customer margins for new housing loans. At the same time, rent corridor and rent ceiling products have been in high demand. The total fund book of the segment decreased during the fourth quarter due to the challenging market development. Despite the challenging market development, the sales of funds through Aktia's branch network were positive for the year.

Lending to private customers was EUR 4,653 (4,611) million. The loan book for the corporate business increased to EUR 1,305 (1,111) million.

The increase in the corporate business loan book reflects the strong demand on the market for both corporate investments and property financing. The corporate business's strategic focus on small and medium-sized companies and financial solutions for larger corporate customers has contributed to the positive development of the loan book.

Net interest income from borrowing and lending has stayed on a good level due to low interest rates on deposits and stable growth in lending. Taking the segment's income of EUR 1.0 million from phasing out of Aktia Real Estate Mortgage Bank last year into account, the net interest income from borrowing and lending has increased by EUR 0.6 million. Impairment of credits and other commitments remained low.

The renewed customer concepts in line with the new strategy and price adjustments resulted in higher commission income from payment services and borrowing.

The operating expenses decreased as a result of centralisation of some support functions and restructuring of the branch network at the end of 2017.

Private customers' savings in deposits decreased to EUR 2,520 (2,554) million and savings in funds decreased to EUR 1,368 (1,419) million.

Wealth Management

The segment comprises asset management, private banking and life insurance businesses. The segment offers wealth management and financing services to wealthy private customers and institutional investors. The segment also offers a wide range of investment and life insurance products for distribution in Aktia's all customer segments.

The segment's operating profit

(EUR million)	2018	2017	Δ %
Operating income	63.2	65.7	-4 %
Operating expenses	-42.8	-41.8	2 %
Operating profit	20.5	23.8	-14 %
Comparable operating profit	21.5	26.1	-18 %

During the year, great success was reached with Nordic and European institutions through the cooperation with the fund management company Universal-Investment (UI) in Luxembourg. As of 2018, UI-Aktia EMD fund products have been offered to institutional investors and the UI-Aktia mutual fund capital was EUR 1,121 million at the end of December.

The net commission income of the segment developed in a positive way during the year. Net commission income increased by 7 % for Private Banking and by 9 % for Asset Management.

Aktia Fund Management Company's fund stock was EUR 4.4 billion, which is EUR 0.4 billion lower than the previous year. The market change for the year was negative. Sales to domestic institutional investors for the year were negative while sales of funds through Aktia's branch network were still positive.

Institutional sales on a total level have continued well despite the turbulence on the market during the past year. The total fund sales amounted to EUR 954 (678) million. Most of the sales were carried out to foreign institutions that subscribed to funds through Universal-Investment in Luxembourg. Domestic institutional sales were lower than the previous year.

During 2018, the following new funds were launched; UI-Aktia EM Local Currency Bond+, Aktia Opportunistic Credit, Aktia Alternative and Aktia Commercial Properties. It is noteworthy that in our current fund selection, our fixed income fund Aktia Emerging Markets Local Currency Bond + is the world's most successful of its kind and it turned 10 years in 2018. The fund has had the highest historical return for three, five, seven as well as for ten years' return.

Aktia's competence is unique even globally and the company's asset management has been rewarded during several years. During 2018, Aktia was again chosen Best Fixed Income Manager in Morningstar's competition Finland Awards 2018. Aktia has been in the top three for six years running and has won the competition four times. Additionally, the fund Aktia Corporate Bond+ finished among the three best funds in the Fixed Income Funds category.

Institutional investors highly appreciate Aktia Asset Management and the company was awarded third best asset manager for the second year running in the External Asset Management Institutions 2018 Finland survey by KANTAR SIFO Prospera.

The transition to IFRS 9 caused increased volatility in net income from life insurance. The segments net income from life insurance before group eliminations decreased to EUR 17.9 (23.6) million. Net income from life insurance was burdened by unrealised value changes of EUR -4.6 million for the year.

The life insurance company's technical provisions were EUR 1,156 (1,217) million, of which EUR 757 (802) million were unit-linked. Interest-related technical provisions decreased to EUR 399 (415) million. The average discount rate for the interest-linked technical provisions was 3.4 %. Technical provisions include an interest reserve of EUR 16.0 (16.0) million, which can be used to cover the future interest rate requirements.

Taking the restructuring costs of EUR 1.0 (2.2) million into account, the segment's comparable operating expenses increased by EUR 2.1 million. The expense ratio for the life insurance business was at a good level and amounted to 77.0 (78.9) %.

Assets under management totalled EUR 8,860 (7,962) million.

(EUR million)	31 Dec 2018	31 Dec 2017	Δ %
Assets under management	8,860	7,962	11 %
of which Institutional assets	5,824	4,590	27 %

Group functions

Group Functions comprises the Group's treasury business and the Group's other support and staff functions. The entities oversee the Group's financing and liquidity management and assists the other business segments with sales, IT and product support and development. The Group Functions also include monitoring and controlling risk and financial follow-up. The largest source of income is income from the Group's treasury business.

The segment's operating profit

(EUR million)	2018	2017	Δ %
Operating income	29.9	30.1	0 %
Operating expenses	-13.4	-20.2	-34 %
Operating profit	16.5	9.7	69 %
Comparable operating profit	13.8	9.8	40 %

The book value of the liquidity portfolio amounted to EUR 1,356 (1,799) million, equivalent to 22 (31) % of the lending portfolio. The interest income of the liquidity portfolio decreased to EUR 8.3 (14.9) million due to the current level of low interest rates. Despite the challenging interest rate situation, positive interest income has been retained by reinvesting.

The net interest income for the segment decreased due to lower interest income of the liquidity portfolio and lower interest income from the unwound interest rate hedges. Since March 2015, Aktia participates in the European Central Bank's long-term refinancing operations (TLTRO), which has enabled Aktia to offer financing with favourable and competitive terms. In June, the European Central Bank set the expense for Aktia's TLTRO refinancing. During the year a positive impact on the net interest income of EUR 3.5 million was recognised.

Income from the unwound interest derivatives in 2012 decreased to EUR 10.3 (14.4) million. In 2019, the positive impact on the net interest income will amount to approximately EUR 2.4 million.

Lower financing expenses mainly from senior financing is partially compensating for decreasing income from the liquidity portfolio and unwound interest rate hedges.

The comparable staff costs increased by 5 % to EUR 30.5 (29.0) million due to centralisation of some group functions during the end of 2017.

The running IT expenses decreased, and the depreciations increased due to the implementation of the new core banking system. The new business model and the EUR 2.3 million EU statutory costs to the fund for financial stability increased other operating expenses.

Other

Other activities do not constitute a reporting business segment.

The Group's other activities has mainly consisted of Aktia Real Estate Agency Ltd. Aktia decreased its holdings in Aktia Real Estate Agency Ltd to 19 % in the beginning of July. The divestment resulted in a sales gain of EUR 1.1 million. The change in the ownership structure supports the implementation of Aktia's new strategy and had no significant impact on the Group's result and financial position. The close cooperation between Aktia Bank and the Real Estate Agency continues even after the changes in the ownership structure.

Value changes reported through the fund at fair value

Taking cash flow hedging for the Group into consideration, the fund at fair value amounted to EUR 17.7 (51.5) million after deferred tax. EUR -23.9 million of the total decrease of EUR -33.9 million is attributable to the reclassifications in conjunction with the implementation of IFRS 9.

Cash flow hedging, which comprises unwound interest-rate derivative contracts that have been acquired for the purposes of hedging the banking business' net interest income, amounted to EUR 0.0 (-0.1) million.

The fund at fair value

(EUR million)	31 Dec 2018	31 Dec 2017	Reclassification (IFRS 9)	Δ
Shares and participations				
Banking Business	-	1.3	-1.3	-
Life Insurance Business	-	3.7	-3.7	-
Direct interest-bearing securities				
Banking Business	4.0	7.6	0.0	-3.6
Life Insurance Business	13.6	39.0	-18.9	-6.5
Cash flow hedging	-	-0.1	-	0.1
Fund at fair value	17.7	51.5	-23.9	-10.0

Overview of risks and risk management

General

The Group focuses primarily on banking, asset management and life insurance operations. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk are credit, counterparty, interest rate and liquidity risks in the Bank Group, interest rate and other market risks and actuarial risks in the life insurance business. All of these operations are exposed to business and operational risks.

Credit and counterparty risks

Credit risks occur in the banking operations, while counterparty risks occur in both banking and insurance operations. Together, these form the largest risks that the Group is exposed to. Aktia applies a credit policy that is based on an assessment of whether the debtor has a satisfactory ability to repay the debt. The majority of the loan portfolio consists of household loans secured against real estate. The customers' ability to repay the loans is stressed using a higher discount rate than the actual interest rate on the loan, and a reasonable decline in price is factored into the assessment of the collateral. Credits without collateral, mainly credit card credits and consumer credits, form a growing part of the loan portfolio. Regarding these credits the emphasis is on the debtor's ability to repay the debt as well as former credit management.

In the bank's corporate lending activities, the focus is on risk management. For each customer, a credit assessment is made that includes a business and market analysis, and a forecast-based assessment of the debtor's ability to repay the loan. Collateral arrangements and contract-specific terms are also taken into account. Aktia attaches particular importance to training staff in corporate credit assessment.

At the end of 2018, household loans accounted for 77.9 % (80.7) of the total loan book while the share of corporate loans was 11.6 %

(10.1) and the share of housing companies 9.9 % (8.4). The value of the total loan book was EUR 6,106 (5,839) million. Credit quality remained relatively high, with loans more than 90 days past due totalling EUR 34 (36) million during the year.

Counterparty risks occur in conjunction with investments and in relation to entering into derivative contracts for hedging purposes. These risks are managed through the requirement for satisfactory external ratings, conservative allocation and contractual collateral arrangements with daily collateral valuation and exchange.

Market risks

No trading activities are carried out by the Aktia Group, which is why the market risks are structural in nature and occur due to differences in the balance sheet primarily relating to the interest terms of the loans and the periods for which interest rates are tied.

In the banking business, structural interest rate risks are managed actively through trading arrangements, either through hedging derivatives or investments in the liquidity portfolio or a combination of both, depending on the prevailing market conditions. At year-end, the Bank Group's liquidity portfolio and other interest-bearing investments had a total value of EUR 1,368 (1,816) million. Of the Bank Group's liquidity portfolio and other interest-bearing securities, 60 % (52) constituted investments in covered bonds, 8 % (15) constituted investments in banks, 32 % (32) constituted investments in the public sector (including state-guaranteed bonds and investments in supranational counterparties) and 0 % (1) were investments in companies.

The life insurance business is subject to Solvency II regulations, which affects the allocation of the investment portfolio. Of the investment portfolio, which stood at EUR 551 (574) million, 87 % (86) constituted investments in interest-bearing securities, 12 % (14) constituted investments in real estate and 1 % (0) constituted alternative investments.

Financing and liquidity risks

At year-end, the Bank Group's liquidity position was very good, representing over 21 months of outgoing cash flow excluding new market borrowing. The bank's outstanding long-term covered bonds had a total value of EUR 1,647 (1,647) million. During the year, Aktia Bank issued a new long-term covered bond with a value of EUR 500 million and a maturity of 5 years. During the year, Aktia Bank has also issued new long-term unsecured senior loans of EUR 250 million within the scope of the bank's EMTN programme, which were carried out to repay the EUR 235 million bonds that matured during the period. At year-end, the long-term unsecured senior financing, issued within the Bank's EMTN programme, totalled EUR 779 (769) million.

Aktia Bank has a sizeable unused liquidity reserve through its ability to issue further long-term covered bonds.

Operational risks

The digitisation of service channels, for which the bank is increasingly taking over the IT operation, has created a situation where incidents and disruptions related to IT systems constitute serious operational risks for Aktia. Data security arrangements coupled with business continuity plans are the key risk management tools used to secure the operation of the systems. The bank can also be subject to information security incidents in the form of phishing for bank codes or the spread of malicious software. A number of phishing campaigns were observed especially towards the end of 2018. One occurrence of phishing caused a minor loss for the bank in terms of internal costs but could be restricted through swift measures. Aktia has standardised methods for handling such campaigns and is working with the authorities to bring those responsible to justice.

In May 2018 the General Data Protection Regulation (GDPR) became applicable and Aktia Bank appointed a Data Protection Officer (DPO) within the organisation. The bank uses processes for reporting data protection incidents as well as requests for accessing information on private customers. The number of requests increased towards the end of 2018.

Detailed information about the Group's risks, capital and capital adequacy is presented in note G2.

A description of internal control, risks and risk management in the Aktia Group, including the disclosure requirements in the Capital Requirements Regulation, Chapter 8 (Pillar III), is provided in the group's Capital and Risk Management Report, which is published separately from the annual report on the Group's website www.aktia.com.

Events concerning related parties

Related parties include shareholders with significant influence and key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling influence. The Aktia Group's key persons are the members of the Board of Directors, the CEO, the CEO's alternate and other members of the Executive Committee.

Further information on events concerning related parties is described in notes G44 and P46.

Other events during the year

Aktia Bank Plc has on 15 January 2018 divested 39,831 series A treasury shares held by the company for payment of deferred instalments for the share-based reward scheme earning periods 2013–2014, 2014–2015 and 2015–2016 and the share ownership scheme to 24 key persons included in the share-based incentive scheme.

On 21 May 2018, Aktia Bank Plc has divested 82,835 Aktia shares as payment of shares from the share-based reward scheme earning periods 2016–2017, 2017–Q122018 as well as matching shares within the scope of the company's share ownership scheme 2015–2018. Furthermore, shares held by the company have been divested to carry out payment of 40 % of the Board member's annual remuneration in the form of Aktia shares.

In May, Aktia refinanced the covered bond that matured in June. The demand for the new five-year EUR 500 million covered bond was high. The market showed confidence in Aktia when the issue was oversubscribed over 2.5 times and the issue could be carried out with very favourable terms with an all-time low margin.

On 29 June 2018, The Financial Supervisory Authority set an 1 % additional capital requirement for Aktia Bank Plc which is a so-called system risk buffer requirement. According to the decision, the requirement can only be met with CET1 capital and therefore increases the bank's CET1 capital requirement as of 1 July 2019 when the requirement enters into force. Aktia has a strong capital adequacy and can already now meet the additional capital requirement with good margin. More information about capital adequacy under Capital adequacy and solvency.

In accordance with Aktia's new strategy, Aktia has on 6 August 2018 ended cooperation with Folksam Non-Life Insurance and has stopped brokering their insurances. Aktia continues offering service to customers in matters regarding life, inability to work and loan protection.

On 31 August 2018, Aktia Bank Plc acquired 25 % of Paikallispankkien PP-Laskenta Oy from Samlink. The change does not affect Aktia's operations and the cooperating continues as before. All the new owners are customers of PP-Laskenta.

In September, Aktia Bank has as a part of its EMTN programme issued new long-term bonds worth EUR 200 million. At the same time, a EUR 150 million bond was repurchased. Its original due date was in the end of October 2018. The issue of the new bonds was carried out to ensure that the bank will comply with future regulatory requirements.

In October, Aktia Bank Plc has made an agreement to sell its remaining 10 % holdings in Folksam Non-Life Insurance Company Ltd to Fennia Mutual Insurance Company. Aktia Bank now focuses on carrying out the strategy with focus on asset management and financing solutions, while competitive non-life insurance and pension insurance products are offered through partners. Concurrently, a letter of intent was signed with Fennia to investigate the possibility of cooperation regarding non-life insurance products in the future.

Aktia Bank Plc has on 1 November 2018 within the scope of the share savings scheme AktiaUna issued 65,132 new shares. The new shares were registered into the Trade Register on 15 November 2018. After the issue, the number of shares was 69,027,794.

On 23 November 2018, Aktia Bank Plc informed that the bank will renew its Executive Committee to more efficiently implement the strategy. As of 1 Januari 2019, Aktia will have three business areas, Private and Corporate customers and Asset Management, and renews the composition of the Executive Committee. M.Sc. Max Sundström has been appointed as a new member of the Executive Committee and he will be responsible for the Group's concept and strategy. The previous members of the Executive Committee, Merja Sergelius and Sam Olin, will continue to be responsible for Private and Premium customers. Minna Miettinen has left Aktia on 23 November 2018.

Aktia Bank Plc has on 26 November 2018 divested 10,002 Aktia shares held by the company to three key persons in the company's management for payment of matching shares within the scope of the company's share-based ownership scheme 2017.

Events after year-end

Aktia Bank Plc has on 15 Januari 2019 divested 34,156 Aktia treasury shares held by the company for payment of deferred instalments for the share-based reward scheme earning periods 2014–2015, 2015–2016, 2016–2017 and 2017–2018 and the share ownership scheme to 29 persons included in the share-based incentive scheme.

Since the other owners of Samlink have now chosen a new core banking solution, it is in accordance with Aktia's strategy to divest all shares in the company together with the other owners of Samlink. On 23 Januari 2019 Aktia Bank Plc has entered into an agreement to divest its holdings (22.56 %) in Oy Samlink Ab to Cognizant Technology Solutions Finland Ltd. The transaction will generate approximately an EUR 8 million sales gain, which affects the Group's reported operating profit for 2019. The transaction does not have effect on the Group's comparable operating profit. The transaction is planned to be carried out on 1 April 2019.

Aktia Corporate Finance Ltd merged with Aktia Bank Abp 1 February 2019.

Staff

The number of full-time employees decreased by 25 from the previous year and was at the end of December 779 (804). The average number of full-time employees decreased by 100 from the previous year to 803 (903).

Incentive scheme

As of 2018, Aktia Bank Plc has launched a new long-term share savings plan for Aktia's employees in order to support the implementation of Aktia's new strategy.

The share savings plan will be offered to approximately 800 Aktia employees, who will be offered an opportunity to save 2–4 % of their salaries (the members of the Group's Executive Committee up to 7 %) and regularly acquire the company's shares at a 10 % reduced price. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2018–2019 to the participants amounts to a maximum total of 1,800,000 euros upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. This programme replaces Aktia's Personnel Fund. At the end of the year 57 % of Aktia's personnel participated in the share savings plan AktiaUna.

Within the scope of the above mentioned AktiaUna savings plan, approximately 60 key employees, including the CEO and the members of the Group's Executive Committee, have been offered a possibility to participate in a performance-based share savings plan. This part of the programme replaces the previous Executive Committee's share-based incentive scheme. The performance criteria of the performance period 2018–2019 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019 amounts up to a maximum total of 2,600,000 euros upon the launch of the plan, corresponding to the value of 280,000 Aktia shares.

For more information on the incentive scheme see www.aktia.com > Corporate Governance > Remuneration.

Board of Directors and Executive Committee

Aktia Bank Plc's Board of Directors for the term running until the end of the next Annual General Meeting:

- Chair Lasse Svens, M.Sc. (Econ.)
- Vice chair Arja Talma, M.Sc. (Econ.), eMBA
- Christina Dahlblom, M.Sc. (Econ.)
- Stefan Damlin, M.Sc. (Econ.)
- Maria Jerhamre Engström, eMBA
- Johannes Schulman, M.Sc (Econ.)
- Catharina von Stackelberg-Hammarén, M.Sc. (Econ.)

Aktia Bank Plc's Board of Directors on 31 December 2018 was:

- Mikko Ayub, M.Soc.Sc., MBA, CEO
- Juha Hammarén, vice District Court Judge, Executive Vice President and COO
- Merja Sergelius, eMBA, Executive Vice President with responsibility for private customers
- Anssi Rantala, Dr. Soc.Sc., Executive Vice President with responsibility for Aktia Asset Management, Aktia Fund Management Company and Aktia Life Insurance
- Carola Nilsson, M.Sc. (Econ.), Executive Vice President with responsibility for private banking
- Irma Gillberg-Hjelt, LL.M., Vice President; with responsibility for corporate customers

- Sam Olin, B.Sc. (Econ.), Vice President with responsibility for premium customers
- Outi Henriksson, M.Sc. (Econ.), Chief Financial Officer with responsibility for finance, treasury, investor relations and legal matters
- Juha Volotinen, M.Sc. (Econ.), Chief IT and Data Architecture officer
- Anu Tuomolin, M.Sc. (Econ.), Chief HR officer

There is also a staff representative in the Executive Committee.

Aktia Bank Plc's Board of Directors and CEO Martin Backman agreed together that Martin Backman stepped down from his position on 7 March 2018. Juha Hammarén, COO and Deputy to CEO was acting as interim CEO until 30 September 2018. Aktia's new CEO Mikko Ayub took office on 1 October 2018.

A Nomination Board shall be appointed annually with the duty to prepare a proposal for members of the Board of Directors as well as for the remuneration of them to the Annual General Meeting. The Nomination Board comprises representatives of the five largest shareholders according to number of shares held. Further, the chairman of the Board of Directors participates in the work of the Nomination Board. The composition of the Nomination Board up until 30 August 2019 is:

- Attorney Nina Wilkman, appointed by Stiftelsen Tre Smeder
- Managing Director Carl Pettersson, appointed by the Pension Insurance Company Veritas
- Managing Director Dag Wallgren, appointed by The Society of Swedish Literature in Finland
- Bachelor of Laws, M.Sc. (Econ.). Johan Hammarén, appointed by Oy Hammarén & Co Ab
- Honorary Counsellor Peter Boström, appointed by the Åbo Akademi University Endowment
- Chairman of the Board of Aktia Bank Plc Lasse Svens

Decisions of Aktia Bank Plc's Annual General Meeting 2018

The Annual General Meeting of Aktia Bank Plc on 10 April 2018 adopted the consolidated financial statements of the parent company and the group, and discharged the members of the Board of Supervisors, the members of the Board of Directors, the Managing Director and his alternate from liability.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided to distribute a dividend of EUR 0.57 per share totalling approximately EUR 37.8 million for the financial period 1 January–31 December 2017.

The Annual General Meeting determined that the number of auditors shall be one, and re-elected KPMG Oy Ab as auditor with APA Marcus Tötterman as auditor-in-charge.

The Annual General Meeting approved the Board of Directors' proposal of combining the company's two share classes A and R

without increasing the share capital, so that the company after the combination only has one share class, which is subject to public trading. The share entitles the holder to one (1) vote per share and equal rights. The Annual General Meeting also approved the amended Paragraph 3 of Articles of Association pertaining to the combination and the directed payment-free issue of a maximum of 2,384,650 new shares to the holders of R shares deviating from shareholders' pre-emptive subscription right so that the owners of R shares payment-free receive 3 (three) new shares against every batch of 25 R shares held in the same book-entry account.

Due to the combination of A and R share classes, the Trade Register has on 12 April 2018 registered a total amount of 2,383,851 new shares issued through a directed payment-free issue to the holders of R shares. At the same time the combination of the share classes and the amended Articles of Association pertaining to the combination has been registered in the Trade Register.

The Annual General Meeting adopted the proposals by the Board of Directors concerning the authorisation to issue shares, the authorisation to acquire treasury shares to be used in the company's share-based incentive scheme and/or as remuneration to members of executive bodies in the company as well as the authorisation to divest treasury shares.

All proposals mentioned above are included in the Summons to the AGM published on the website www.aktia.com under About Aktia > Corporate Governance > Annual General Meeting > Annual General Meeting 2018.

The proposals of the Shareholders' Nomination Board to the Annual General Meeting 2019

The Shareholders' Nomination Board has decided to present the following proposition to the Annual General Meeting of Aktia Bank Plc on 11 April 2019:

The number of Board members is proposed to be eight, one more than the present seven members.

The Shareholders' Nomination Board proposes that of the present members of the Board of Directors, Christina Dahlblom, Stefan Damlin, Maria Jerhamre Engström, Johannes Schulman, Lasse Svens and Arja Talma, subject to their consent, be re-elected for a term continuing up until the end of the next Annual General Meeting.

The Board member Catharina von Stackelberg-Hammarén has informed that she will no longer be available for re-election.

The Nomination Board proposes further that:

- Tarja Wist, LL.M., Attorney-at-Law, with her consent, be elected as a new member of the Board of Directors for the same term. Tarja Wist (b. 1965) is partner in the law firm Waselius & Wist and has strong expertise in the banking and finance sector due to her long career as legal counsel to clients in the financial sector.

- Johan Hammarén, M. Sc. (Econ.), LL.M., with his consent, be elected as a new member of the Board of Directors for the same term. Johan Hammarén (b. 1969) is Managing Director of Oy Hammarén & Co Ab and he has a strong focus on entrepreneurship and new thinking. He has a background in Nokia and he is one of the founders of the law firm Fondia Oy as well as of the wealth management firm JAM Advisors Oy, both pioneering companies with new business models in traditional fields.

All the of the proposed members are independent in relation to the company and in their relationship to significant shareholders.

The Shareholders' Nomination Board proposes that the remuneration for the members of the Board of Directors be unchanged:

- Chair EUR 61,200 p.a.
- Vice Chair EUR 34,650 p.a.
- Member EUR 27,140 p.a.

40 % of the Board members' annual remuneration is paid in the form of Aktia shares. The Board members are encouraged to keep these shares for the duration of their Board term in Aktia.

In addition, the Nomination Board proposes a remuneration of EUR 500 per attended meeting. However, the Chair of a Committee is proposed to receive a remuneration of EUR 1,000 per committee meeting.

The proposals of the Shareholders' Nomination Board will be included in the summons of the Annual General Meeting and be available at the company's website at www.aktia.com.

Board of Directors' Proposals for the Annual General Meeting 2019

The Board of Directors proposes that a dividend of EUR 0.61 per share (2017: 0.57) shall be paid for the period 1 January - 31 December 2018.

The proposed record date for the dividend is proposed to be 15 April 2019, and the dividend will be paid on 25 April 2019.

The Board of Directors proposes, based on the recommendation of the Board of Directors' Audit Committee, that KPMG Oy Ab, a firm of authorised public accountants, shall be elected as auditor, with Marcus Tötterman, M.Sc. (Econ.), APA, as auditor-in-charge for a term of office beginning when the Annual General Meeting 2019 is closed and continuing until the Annual General Meeting 2020 has concluded.

Remuneration and compensation for travel expenses to the auditor are proposed to be paid against reasonable invoices.

Share capital and ownership

Aktia Bank Plc's share capital amounts to EUR 163 million. In the end of December 2018, the number of Aktia shares was 69,027,794. The total amount of registered holders amounted to 37,475 (31 December 2017: 39,757). 8.0 % of the shares were in foreign ownership. The number of unregistered shares was 765,811 (765,829), corresponding to 1.1 (1.1) % of the total number of shares. On 31 December 2018, the Group held 111,430 Aktia shares. Aktia Bank Plc's market value on 28 December 2018, the last trading day of the year, was EUR 621 (631) million. Aktia's stock exchange value on 28 December 2018 was EUR 9.0. The highest price for the Aktia share was EUR 9.58 and the lowest EUR 7.90.

Shares

The average daily turnover of the Aktia share during January–December 2018 was EUR 582,114 or 65,340 shares. After the combination of R and A shares Aktia Bank Plc only has one share series which is subject to public trading and for which each share entitles to one (1) vote per share and equal rights. The combination was registered on 12 April 2018. Trading with the company's only share class and the new shares commenced on 13 April 2018 (ISIN code FI4000058870, trading symbol AKTIA).

Outlook and risks

Outlook 2019

The continued low interest rate environment and decreased income from previously unwound interest-rate hedges (2012) will still have a negative impact on the total net interest income 2019.

The uncertainty regarding the future economic development brings uncertainty to the prognosis, which may have a considerable effect especially on the income from wealth management and investment activities in the net commission income and net income from life-insurance.

Impairment of credits are expected to remain on a low level in 2019.

Despite the uncertainty of the economic development, the comparable operating profit 2019 is expected to be approximately on the same level as for 2018.

Risks

Aktia's result is affected by many factors, of which the most important are the general economic situation, fluctuations in share prices, interest rates and exchange rates, as well as the competitive situation. The demand for banking, insurance, and wealth management services can be changed by these factors.

Changes in interest rate level, yield curves and credit margins are hard to predict and can affect Aktia's interest margins and thus profitability. Aktia is pursuing a proactive management of interest rate risks.

Any future impairment of credits in Aktia's loan book could be due to many factors, of which the most important are the general economic situation, the interest rate level, the level of unemployment and the development of house prices.

The availability of liquidity on the financial market is important for Aktia's refinancing activities. Like other banks, Aktia relies on deposits from households to service some of its liquidity needs.

The market value of Aktia's financial and other assets can change, among other things, as a result of requirements among investors for higher returns.

Increased regulation of banking and insurance operations has led to more stringent capital and liquidity requirements for the bank. The new regulations have also resulted in increased competition for deposits, higher demands on long-term financing and higher fixed costs.

Financial objectives up until 2022

The financial objectives stipulated by the Board of Directors in October 2017 are:

- Improve the comparable operating profit to approximately EUR 80 million (2018; EUR 65.4 million)
- Improve the comparable cost-to-income ratio to 0.61 (2018; 0.69)
- Improve Return on Equity (ROE) to 9.7 % (2018; 9.4 %)
- Common Equity Tier 1 capital ratio (CET1) 1.5-3 percentage points over the regulatory requirement (2018; 7.2 percentage points over the minimum capital requirement 10.3 %)

Publication of information

Aktia's information policy covers Aktia Bank Plc and all subsidiaries.

The information policy describes key principles for Aktia's communication with the capital market, mass media and other stakeholder groups. The information policy is published on Aktia's website, www.aktia.com. The reports and communications published by Aktia Bank Plc are also available on the website.

Aktia Bank Plc meets its disclosure obligations in the form of publications.

- The annual report, accounts announcement, half-year report and interim reports, including the notes, contain financial information on the results and activities of the Aktia Group.
- Aktia's remuneration statement is a description of remunerations to the Board of Directors, CEO and other management of Aktia Bank Plc in compliance with the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association from 2015 (Corporate Governance Code 2015).
- The Corporate Governance Report contains information on the administration and administrative structure of the Aktia Group. The report follows the Corporate Governance Code for Listed Companies of the Finnish Securities Market Association (the Finnish Corporate Governance Code 2015).
- Aktia reports on corporate responsibility as a part of Aktia's annual report on 21 March 2019 at the latest. The publication contains information on how Aktia has implemented corporate social responsibility issues in its day-to-day activities and processes. The report provides a general picture of those material aspects which Aktia's stakeholders consider important for Aktia's activities. The report follows the guidelines of the Global Reporting Initiative (GRI).
- The Capital and Risk Management Report provides information about the Group's risk position and various types of risk as well as capital adequacy. The report covers the requirements set forth in the Capital Requirements Regulation (CRR), Chapter 8.
- Aktia Life Insurance publishes a Solvency and Financial Condition Report, which provides information on the company's financial position and solvency. The report will be published no later than 22 April 2019.
- Aktia will publish a report on non-financial information in connection with the Report by the Board of Directors which is published as part of Aktia's annual report no later than 21 March 2019.

Aktia's website, www.aktia.com, contains also information on the Group's management, administration and remuneration systems. The Aktia Group's financial calendar with publication dates is also published on the website.

In their reports, banks are required to indicate where and in which publication the disclosures provided for in Chapter 8 of the Capital Requirements Regulation (EU) No. 575/2013 are published. More detailed information is provided in Appendix 6 to the Capital and Risk Management Report 2018.

Quarterly trends in the Group

(1 000 euroa)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Net interest income	20,661	21,043	23,479	20,719	85,903	89,620
Dividends	7	12	89	6	114	307
Commission income	25,489	26,090	29,287	27,071	107,936	102,485
Commission expenses	-2,884	-3,166	-3,037	-3,246	-12,334	-11,056
Net commission income	22,604	22,924	26,249	23,825	95,602	91,429
Net income from life insurance	5,111	5,467	4,986	5,798	21,362	26,597
Net income from financial transactions	-1,163	4,643	728	643	4,850	841
Net income from investment properties	-	-33	-	-	-33	-
Other operating income	470	1,347	315	200	2,332	1,490
Total operating income	47,691	55,403	55,846	51,190	210,131	210,284
Staff costs	-18 131	-14,274	-17,781	-16,497	-66,683	-79,057
IT expenses	-7 554	-6,124	-6,346	-5,613	-25,638	-30,451
Depreciation of tangible and intangible assets	-3 025	-3,068	-3,162	-3,126	-12,381	-9,465
Other operating expenses	-10 717	-8,380	-11,035	-8,213	-38,346	-41,681
Total operating expenses	-39 427	-31,847	-38,324	-33,450	-143,048	-160,654
Impairment of tangible and intangible assets	-	-	-	-	-	-534
Impairment of credits and other commitments	-133	-796	687	-597	-839	-574
Share of profit from associated companies	-86	903	-	527	1,344	597
Operating profit	8,045	23,663	18,210	17,670	67,588	49,118
Taxes	-1,624	-3,906	-3,498	-2,555	-11,583	-9,778
Profit for the period	6,421	19,757	14,712	15,115	56,005	39,340
Attributable to:						
Shareholders in Aktia Bank plc	6,421	19,757	14,712	15,115	56,005	39,340
Total	6,421	19,757	14,712	15,115	56,005	39,340
Earnings per share (EPS). EUR	0.09	0.29	0.21	0.22	0.81	0.57
Earnings per share (EPS). EUR. after dilution	0.09	0.29	0.21	0.22	0.81	0.57
Operating profit excluding items affecting comparability:						
Operating profit	8,045	23,663	18,210	17,670	67,588	49,118
Operating income:						
Net income from equity holding in Folksam Non-Life Insurance Company	49	-4,000	-	-	-3,951	966
Value change of equity holding in Bohemian Wrappsody	1,009	-	-	-	1,009	-
Profit from divestment of Aktia Real Estate Agency	-	-1,066	-	-	-1,066	-
Operating expenses:						
Expenses for restructuring	1,136	-	324	356	1,815	11,144
Comparable operating profit	10,239	18,597	18,533	18,026	65,395	59,929

Quarterly trends of comprehensive income

(EUR million)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Profit for the period	6,421	19,757	14,712	15,115	56,005	39,340
Other comprehensive income after taxes:					-	
Change in valuation of fair value for financial assets	-286	-4,758	-773	-3,123	-8,939	-12,837
Change in valuation of fair value for cash flow hedging	10	46	24	-0	79	69
Transferred to the income statement for financial assets	-585	-324	-205	-17	-1,130	-2,982
Comprehensive income from items which can be transferred to the income statement	-861	-5,036	-953	-3,140	-9,991	-15,750
Defined benefit plan pensions	13	-	-	-	13	2,093
Comprehensive income from items which can not be transferred to the income statement	13	-	-	-	13	2,093
Total comprehensive income for the period	5,572	14,721	13,758	11,976	46,027	25,683
Total comprehensive income attributable to:						
Shareholders in Aktia Bank plc	5,572	14,721	13,758	11,976	46,027	25,683
Total	5,572	14,721	13,758	11,976	46,027	25,683
Total earnings per share. EUR	0.08	0.21	0.20	0.17	0.67	0.37
Total earnings per share. EUR. after dilution	0.08	0.21	0.20	0.17	0.67	0.37
Total comprehensive income excluding items affecting comparability:						
Total comprehensive income	5,572	14,721	13,758	11,976	46,027	25,683
Operating income:						
Dividend from Suomen Luottokunta	-	-	-	-	-	-1,038
Net income from equity holding in Folksam Non-Life Insurance Company	49	-4,000	-	-	-3,951	966
Value change of equity holding in Bohemian Wrappsody	807	-	-	-	807	-
Profit from divestment of Aktia Real Estate Agency	-	-1,066	-	-	-1,066	-
Operating expenses:						
Expenses for restructuring	909	-	259	285	1,452	8,915
Comparable total comprehensive income	7,336	9,655	14,017	12,260	43,269	34,525

Items affecting consolidated income statement and comprehensive income

(EUR million)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Net income from financial transactions	-1,058	4,000	-	-	2,942	332
Other operating income	-	1,066	-	-	1,066	-
Total operating income	-1,058	5,066	-	-	4,008	332
Staff costs	-1,111	-	-324	-356	-1,790	-9,188
Other operating expenses	-25	-	-	-	-25	-1,422
Total operating expenses	-1,136	-	-324	-356	-1,815	-10,610
Impairment of tangible and intangible assets	-	-	-	-	-	-534
Operating profit	-2,194	5,066	-324	-356	2,193	-10,811
Taxes	429	-	65	71	565	1,969
Total comprehensive income for the year	-1,765	5,066	-259	-285	2,757	-8,842

Quarterly trends in the segments

(EUR million)	4Q2018	3Q2018	2Q2018	1Q2018	2018	2017
Personal & Corporate Banking						
Net interest income	16,009	15,673	15,569	15,256	62,507	62,858
Net commission income	13,801	13,883	15,437	14,079	57,200	51,879
Other operating income	80	39	126	111	356	331
Total operating income	29,891	29,594	31,132	29,446	120,063	115,068
Staff costs	-4,359	-3,366	-4,747	-4,308	-16,780	-24,826
Other expenses ¹	-21,176	-17,149	-19,160	-17,367	-74,852	-74,646
Total operating expenses	-25,536	-20,515	-23,907	-21,675	-91,632	-99,472
Impairment of tangible and intangible assets	-	-	-	-	-	-534
Impairment of credits and other commitments	-133	-796	667	-597	-860	-478
Operating profit	4,222	8,283	7,892	7,174	27,572	14,584
Comparable operating profit	4,365	8,283	8,216	7,286	28,151	23,064
Wealth Management						
Net interest income	480	536	541	532	2,089	2,470
Net commission income	10,804	10,851	10,833	10,484	42,972	39,376
Net income from life insurance	4,259	4,599	4,141	4,897	17,896	23,565
Other operating income	109	58	75	39	281	246
Total operating income	15,651	16,043	15,590	15,953	63,237	65,657
Staff costs	-5,079	-3,845	-4,060	-3,767	-16,751	-17,087
Other expenses ¹	-7,435	-6,133	-6,403	-6,042	-26,013	-24,743
Total operating expenses	-12,514	-9,979	-10,463	-9,808	-42,764	-41,830
Operating profit	3,137	6,065	5,127	6,145	20,474	23,827
Comparable operating profit	4,091	6,065	5,127	6,212	21,495	26,064
Group functions						
Net interest income	4,172	4,835	7,369	4,930	21,307	24,241
Net commission income	618	879	501	825	2,823	3,541
Other operating income	-836	4,845	1,024	774	5,806	2,301
Total operating income	3,955	10,559	8,894	6,529	29,937	30,083
Staff costs	-8,693	-7,062	-7,717	-7,634	-31,107	-32,761
Other expenses ¹	5,487	3,639	3,683	4,924	17,733	12,521
Total operating expenses	-3,206	-3,423	-4,034	-2,710	-13,374	-20,240
Impairment of credits and other commitments	-	-	20	-	20	-96
Share of profit from associated companies	-86	-	-	-	-86	-
Operating profit	662	7,135	4,880	3,819	16,497	9,747
Comparable operating profit	1,758	3,135	4,880	3,996	13,770	9,841

1) The net expenses for support and staff functions are allocated from the Group Functions to the business segments Personal & Corporate Banking and Wealth Management. This cost allocation is included in the segments' other expenses.

5 year overview

(EUR 1,000)	2018	2017	2016	2015	2014
Income statement					
Net interest income	85,903	89,620	95,588	97,347	102,779
Net commission income	95,602	91,429	79,672	79,969	74,866
Net income from life insurance	21,362	26,597	24,666	24,875	24,004
Net income from financial transactions	4,850	841	8,280	3,724	7,327
Other operating income	2,414	1,798	3,136	2,461	3,322
Total operating income	210,131	210,284	211,341	208,376	212,298
Staff costs	-66,683	-79,057	-72,250	-72,652	-69,518
IT expenses	-25,638	-30,451	-28,352	-26,850	-26,324
Depreciation of tangible and intangible assets	-12,381	-9,465	-8,186	-8,123	-7,344
Other operating expenses	-38,346	-41,681	-39,627	-36,794	-41,265
Total operating expenses	-143,048	-160,654	-148,414	-144,419	-144,451
Impairment of tangible and intangible assets	-	-534	-	-	-
Expected credit losses and impairment of credits and other commitments	-839	-574	-2,198	-341	-1,729
Share of profit from associated companies	1,344	597	738	599	2,195
Operating profit	67,588	49,118	61,467	64,215	68,314
Taxes	-11,583	-9,778	-12,159	-12,646	-13,282
Profit for the period	56,005	39,340	49,308	51,569	55,031
Attributable to:					
Shareholders in Aktia Bank plc	56,005	39,340	49,308	52,001	52,499
Non-controlling interest's share	-	-	-	-432	2,532
Total	56,005	39,340	49,308	51,569	55,031
Comprehensive income					
Profit for the reporting period	56,005	39,340	49,308	51,569	55,031
Comprehensive income from items which can be transferred to the income statement	-9,991	-15,750	-7,799	-28,906	22,886
Comprehensive income from items which can not be transferred to the income statement	13	2,093	-503	48	339
Total comprehensive income for the reporting period	46,027	25,683	41,006	22,711	78,257
Comprehensive income attributable to:					
Shareholders in Aktia Bank plc	46,027	25,683	41,006	23,038	75,610
Non-controlling interest's share	-	-	-	-327	2,647
Total	46,027	25,683	41,006	22,711	78,257
Balance sheet					
Financial assets measured at fair value through income statement	902,650	802,575	723,144	667,748	545,271
Financial assets measured at fair value through other comprehensive income	1,340,928	1,925,358	1,840,526	2,197,648	2,375,417
Interest-bearing securities measured at amortised cost	307,982	367,800	445,294	481,653	488,509
Loans and other receivables	6,129,070	5,888,674	5,760,460	5,900,156	6,461,808
Cash and balances with central banks	289,191	282,477	380,095	268,361	395,905
Derivative instruments	69,990	84,046	132,246	172,495	231,302
Other assets	226,257	199,071	204,213	193,482	208,476
Total assets	9,266,069	9,550,000	9,485,978	9,881,543	10,706,688
Deposits	4,565,120	4,812,963	4,673,148	4,396,818	4,755,748
Derivative instruments	17,126	33,559	54,254	86,176	113,196
Other financial liabilities	2,813,737	2,745,994	2,800,312	3,427,248	3,930,668
Technical provisions	1,155,704	1,217,328	1,162,446	1,130,463	1,025,417
Other liabilities to credit institutions	124,443	142,135	182,709	225,612	190,770
Total liabilities	8,676,130	8,951,979	8,872,869	9,266,317	10,015,799
Equity	589,939	598,022	613,108	615,226	690,890
Total liabilities and equity	9,266,069	9,550,000	9,485,978	9,881,543	10,706,688

The years 2014-2017 are determined in accordance with IAS 39.

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2018	2017	2016	2015	2014
Earnings per share (EPS), EUR ¹	0.81	0.57	0.72	0.75	0.76
Total earnings per share, EUR ¹	0.67	0.37	0.60	0.33	1.10
Dividend per share, EUR	0.61	0.57	0.60	0.54	0.48
Payout ratio, %	75.1	96.1	80.8	69.0	60.7
Equity per share (NAV), EUR ^{1,2}	8.56	8.70	8.92	8.94	9.07
Average number of shares (excluding treasury shares) ¹	68,817,331	68,867,809	68,899,450	68,916,693	68,932,319
Number of shares at the end of the period (excluding treasury shares) ¹	68,916,364	68,718,564	68,771,335	68,813,892	68,818,598
Return on equity (ROE), % ²	9.4	6.5	8.0	7.9	8.3
Return on assets (ROA), % ²	0.60	0.41	0.51	0.50	0.51
Cost-to-income ratio ²	0.68	0.76	0.70	0.69	0.68
Common Equity Tier 1 capital ratio (Bank Group), %	17.5	18.0	19.5	20.7	14.6
Tier 1 capital ratio (Bank Group), %	17.5	18.0	19.5	20.7	14.6
Capital adequacy ratio (Bank Group), %	20.5	23.4	26.3	27.1	19.1
Risk-weighted commitments (Bank Group)	2,199,213	2,080,185	1,997,682	1,998,768	3,263,318
Capital adequacy ratio, % (finance and insurance conglomerate)	166.1	164.5	188.6	226.7	216.5
Equity ratio, % ²	6.3	6.3	6.3	6.3	6.4
Group financial assets ²	2,112,924	2,601,921	2,705,988	2,994,365	3,282,191
Assets under management ^{2,3}	8,860,322	7,961,506	6,523,366	5,787,761	5,524,872
Borrowing from the public	3,962,540	4,118,544	4,164,289	3,921,993	3,979,188
Lending to the public	6,105,960	5,838,764	5,717,386	5,856,262	6,416,025
Premiums written before reinsurers' share ²	105,634	125,935	112,753	174,924	125,726
Expense ratio, % (life insurance company) ²	77.0	78.9	81.9	83.8	81.5
Solvency ratio (according to Solvency II, life insurance company), % ⁴	229,845	199,236	179,412	175,801	-
Own funds (Solvency II, life insurance company) ⁴	175,510	169,490	144,660	143,220	-
Solvency ratio (according to Solvency I, life insurance company), % ⁴	-	-	-	22.3	23.3
Solvency margin (according to Solvency I, life insurance company) ⁴	-	-	-	130,423	133,397
Investments at fair value (life insurance company)	1,230,542	1,342,758	1,293,517	1,225,742	1,135,207
Technical provisions for risk insurances and interest-related insurances	398,930	414,978	443,014	468,260	482,275
Technical provisions for unit-linked insurances	756,774	802,349	719,432	662,203	543,143
Group's personnel (FTEs), average number of employees	803	903	925	936	941
Group's personnel (FTEs), at the end of the period	779	804	903	920	932
Alternative performance measures excluding items affecting comparability:					
Comparable cost-to-income ratio ⁵	0.69	0.71	0.71	0.69	
Comparable earnings per share (EPS), EUR ⁵	0.77	0.70	0.67	0.78	
Comparable return on equity (ROE), % ⁵	8.9	7.9	7.5	8.1	

1) Recalculated according to the number of shares after combining series A and R

2) Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information.

3) Assets under management excluding custody assets (comparison periods recalculated)

4) From 2016 onwards the life insurance company's solvency ratio is calculated according to Solvency II rules

5) Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information. As from the second quarter of 2017, Aktia presents a number of new APMs, from which items affecting comparability are excluded. Items affecting comparability are not associated with day-to-day business, and such items are income and expenses attributable to restructuring, divestment of operations as well as impairment of assets departing from day-to-day business. The items affecting comparability are shown in a table under the Group's income statement and comprehensive income.

Basis of calculation

Earnings per share (EPS), EUR

Profit for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Total earnings per share, EUR

Comprehensive income for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc / Number of shares at the end of the year

Return on equity (ROE), %

Profit for the year / Average equity x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

Common Equity Tier 1 capital ratio (Bank Group), %

Common Equity Tier 1 capital / Risk-weighted commitments x 100

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

Capital base (Tier 1 capital + Tier 2 capital) / Risk-weighted commitments x 100

The capital base is calculated in accordance with the EU requirements on capital adequacy.

Risk-weighted commitments (Bank Group)

Total assets in the balance sheet and off-balance sheet items, including derivatives valued and risk-weighted in accordance with the EU requirements on capital adequacy.

The capital requirements for operational risks have been calculated and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) / Minimum requirement for the conglomerate's own funds (credit institution + insurance business) x 100

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates and its related degree.

Equity ratio, %

Equity incl. non-controlling interest's share of equity / Average balance total x 100

Group financial assets

The Bank Group's liquidity portfolio and the life insurance company's investment portfolio

Assets under management

Assets under management and brokered mutual funds and assets managed by Aktia Fund Management Company, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance.

Expense ratio, % (life insurance company)

(Operating costs + cost of claims paid) / Total expense loadings x 100

Total expense loadings are items which, according to actuarial calculations, should cover the costs. The operating costs do not include the re-insurers' commissions.

Solvency ratio, % (according to Solvency II, life insurance company)

Solvency II capital / Solvency capital requirement (SCR) x 100

Own funds (Solvency II capital, life insurance company)

The difference between assets and liabilities valued at fair value according to the law implemented from 2016

Solvency ratio, % (according to Solvency I, life insurance company)

Solvency capital / (Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance) x 100

The technical provision is calculated after deduction of the re-insurers' share.

Solvency margin (according to Solvency I, life insurance company)

The difference between assets and liabilities valued at fair value according to the law valid before 2016

Non-financial report 2018

Aktia Bank Plc's business model

Aktia Bank's business model is based on offering private customers and companies high-class asset management in the long term and financial solutions. Aktia is a Finnish company that employs and pays taxes in Finland.

Guidelines for a corporate social responsibility programme were drawn up in Aktia during 2018. The first of the main three themes within our programme for corporate social responsibility is solvency and reliability. Our objective is growth and profitability. The indicators for this comprise increased operating profit and solvency according to the financial objectives for the strategy period. Our goal is also to operate with high ethical standards. We are e.g. following up that all our employees pass the required compliance training programmes. During 2018 more than 90% of our employees has finished the main compliance training programmes. Another indicator is that no regulatory sanctions are to be made against Aktia. Aktia was not subject to any regulatory sanctions in 2018.

The second main theme for our corporate social responsibility is to be a Partner in economic well-being. We want to meet our customers' needs and we monitor customer satisfaction by measuring the net promoter score (NPS). Our aim is to invest responsibly when offering wealth management services to our customers. We are striving to follow the UN principles and reporting on sustainable development.

Our goal is also to finance responsibly. Lending is based on the customer's sufficient ability to pay and a thorough risk assessment is carried out before any financing. With the support of the risk assessment we are able to evaluate the customer's ability to repay and make sure that the customer is able to fulfil his or her obligations. New sales of credits in accordance with the customer's ability to pay and loan ceiling as well as an active follow-up on credits constitute our central tools for responsible lending. Our goal regarding companies is to monitor the development of the so-called "green loan book" in relation to the bank's total loan book. In 2019 the criteria for the "green loan book" are defined taking into account the EU initiative for sustainable finance.

Environment

Especially as an asset manager Aktia has the opportunity to indirectly influence the environment through its investment decisions. According to studies, Aktia's investment process leads to a smaller carbon footprint than its competitors'. The carbon footprint of our equity funds was in December 2018 on average approximately 48 % smaller than that of the relevant reference market.

In the future the carbon footprint of funds may at times also be higher than at present, depending on the market situation and our view. However, Aktia's investment strategy favours less capital-intensive companies which typically also have a favourable emission profile. We participate also in CDP's Climate Change, a water and forest initiative that encourages listed companies to report their greenhouse gas emissions and the use of water and forest.

Investments in government bonds on emerging markets is part of Aktia's special expertise. In autumn 2017, we produced an environmental analysis of the long-term development in the states bordering the emerging markets, i.e. Frontier markets, and of the current level in relation to the developed economies. The review used several different indicators (EPI and CCPI) and individual variables, from air pollution to energy consumption. The analysis showed that the emerging economies are behind the industrialised countries regarding measures to combat climate change, but their positive development is most often stronger than in the industrialised countries.

Environmental consideration in day-to-day operations and in other service supply

Aktia is striving to decrease its environmental impact from its own operations by improving the resource and energy efficiency, and by considering the environmental impact caused by business travel. In 2019 our goal is to introduce the WWF Green Office environmental programme, which includes drawing up an environmental plan.

Aktia's direct environmental impact is relatively small. Our direct environmental impact comes from the consumption of energy, materials and equipment as well as travel and transport. The digital development has contributed to decrease the environmental impact. We endeavour to reduce paper consumption by sending electronic mail instead of conventional letters and other documents on paper.

Aktia employees are encouraged to use public transport for business travels and to conduct phone and video meetings to avoid unnecessary travelling.

Aktia Bank Plc estimates that the environmental risk in its operations is overall small.

Aktia Bank's GRI report for 2018 (p. 186–194), which is included in the annual report, gives a more detailed account of the indicators for calculating the measures, the purpose of which is to decrease the environmental impact of the operations, such as the consumption of materials and energy as well as greenhouse gas emissions.

The most attractive workplace in the business

Aktia's goal is to be the best financial advisor for families and their companies. We want to be the most attractive workplace in the business, which is the third main theme within our corporate social responsibility programme. In order to reach the goal, we need to develop both the leadership and the employee experience in the long term. Another goal is to create well-being and to promote health. In Aktia it is important that the employees are seen and that they are committed and motivated. Good leadership improves the occupational health and job satisfaction. We want our employees to experience Aktia as a good workplace and to feel that they are valued.

Indicators are e.g. the recommendation index eNPS (Employee net promoter score, which measures the employees' readiness to recommend Aktia as a workplace) and the Leadership index. For eNPS our goal is higher than 0. The employees' readiness to recommend Aktia as an employer was -7 in the latest survey. Our goal is to raise the recommendation index above the average for the respondent group, which consists of more than 200 companies in the Nordic countries and whose eNPS in the latest survey 2018 was 0. Our Leadership index goal is at least 69, the latest result was 78.

The Human Capital Board programme was launched in 2018. The activities bring together different parts of the organisation and employees in different roles in Aktia. The Human Capital Board discusses and presents ideas regarding personnel issues, such as competence, occupational health contents and performance reviews.

Good leadership

The new leadership principles based on Aktia's values were launched during the past year.

Committed and motivated employees and good leadership constitute the foundation for success in order to become the best financial advisor for our customers. All employees have the right to good leadership. A major portion of the individual development takes place on the job, therefore it is important that we create opportunities for our employees to do so. Aktia continuously invests in strong management, including regular management training and courses. Management training is based on Aktia's strategy and values and the capacity for leadership during change. The goal for 2018 was to be at least on the same leadership level as in 2017. In addition, the goal for 2018 was to improve the managers' self-knowledge and coaching leadership.

During the past year we have launched the AktiaWay Leader training programme for employees in a management role. Through the training programme employees in management roles receive new inspiration for their management work. AktiaWay Leader is a part of the AktiaWay competence development and offers new views for management work.

Promoting well-being and health

In order to promote the personnel's well-being Aktia carried out in a tender process and a development project regarding occupational health services in 2018. AktiaWellbeing, a service offering focusing on proactive healthcare and the improvement of health was launched at the beginning of 2019 through a close cooperation between the occupational health provider Mehiläinen and Aktia. The Aktia Wellbeing concept offers each Aktia-employee the opportunity to find new tools and to receive coaching in different areas of well-being. The indicators for this work will be specified during 2019.

Equality and diversity

In Aktia we respect diversity, equality and equal opportunity. We are aiming at promoting diversity and equality in our overall employee policy. Our employees are treated equally starting from recruitment and we have undertaken to guarantee all employees equal opportunities, and to attend to an equal treatment at the recruitment occasion.

We monitor the gender structure amongst our employees and in 2018 35 % of the employees at Aktia were men and 65 % women. There has been no significant changes since 2017. The proportion of women in top management has increased to some degree: in 2018 55 % of the members of the Executive Committee were women.

Respecting human rights

Aktia follows the main international conventions and standards, such as the UN Universal Declaration of Human Rights and corresponding UN conventions, ILO conventions, OECD Guidelines for Multinational Enterprises, and the Rio Declaration on Environment and Development.

Aktia has signed the United Nations Principles for Responsible Investment (PRI). Thus, Aktia has committed itself to focus on good asset management practice for the environment and society. The PRI principles are in focus in the development of Aktia's asset management activities and in those units responsible for investment funds and discretionary asset management, as well as in units managing the bank's own investments. The PRI also means that Aktia can assist in achieving more responsible activities in those companies in which Aktia invests. Aktia is a member of FINSIF – Finland's Sustainable Investment Forum r.y.

Aktia has since 2017 cooperated with ISS Ethix, a pioneer in norm-based owner influence. The cooperation is based on so-called norm-based screening; ISS Ethix follows with the help of monitors our funds' holdings according to the criteria that are based on the UN Global Compact principles and identifies companies that have not been able to operate in compliance with the Global Compact principles. The majority of the companies we have invested in

operates in compliance with these principles in such a manner that ISS Ethix has not found anything to remark on. ISS Ethix conducts dialogues on Aktia's behalf with those companies that have not been able to act in accordance with the criteria mentioned above.

In 2018 we conducted discussions with 100 different companies through ISS Ethix. 26 of these discussions were demonstrably or suspected of being associated with human rights and the environment, 19 with employee rights and 20 with corruption. 16 discussions were related to problems within several or overlapping areas.

By signing the United Nations Principles for Responsible Investment (PRI), we have committed ourselves to be an active owner and include ESG aspects in our ownership procedures, and to report on our ESG activities. The cooperation helps us to meet this requirement.

In addition to norm-based screening, reviews of our portfolios regarding holdings in companies that are either directly or indirectly associated with so-called controversial weapons (development, production or distribution) are carried out. Different types of weapons covered by the screening include weapons of mass destruction (such as nuclear, biological and chemical weapons), cluster bombs and anti-personnel land mines. The goal is that all funds investing in shares and corporate bonds are screened, and this goal was met in 2018.

Aktia Bank Plc has deemed that in its operations the risk of violations against human rights is low.

Prevention of corruption and bribes

Aktia is continuously seeking to identify and define the central risks. Most risks are associated with money laundering and the financing of terrorism. Money laundering legislation imposes stringent requirements regarding customer control, such as identifying politically exposed persons (PEP) and risks. As a responsible bank, Aktia strives to continuously monitor the changing market and behavioural models and to develop its processes for identifying and preventing all forms of misuse.

Through a high level of business ethics and internal control Aktia shall prevent the Group, deliberately or by mistake, from contributing to illegal activities, such as money laundering or the financing of terrorism. Aktia is obliged to have a good knowledge of its customers and their banking, both when the customer relationship is initiated and while it is in place. Aktia's internal regulatory frameworks, procedures, system support and training support the personnel in gaining knowledge about the customers. In this way Aktia can ensure that the Group company or Group services are not utilised for money laundering or the financing of terrorism. For the prevention of the financing of terrorism, Aktia's customer register and customer transactions are regularly checked against the sanctions lists published by various authorities. On a regular basis, Aktia's personnel receives training in identifying the principles for preventing money laundering and the financing of terrorism.

To support the employees in their work Aktia has compiled a Code of Conduct consisting of the most important rules to be observed by employees when carrying out their duties. The Group's Code of Conduct includes e.g. rules regarding access to workplaces and the use of the Group's computer system, the role of personnel as representatives of Aktia, managing one's own affairs and those of related parties in Aktia, sidelines and positions of trust, and on keeping Aktia's trade secrets confidential. All employees at Aktia are obliged to follow the Code of Conduct. The employees receive regular training in the Code of Conduct. The Code of Conduct includes a request for the employees of the Group to inform about violations of the rules of the Code and possible unethical business operations or suspicions of them (so-called whistle blowing). In 2018 no such violations have been reported through the channel.

Aktia Bank Plc has deemed that in its operations the risk of corruption and bribes is low.

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Aktia Bank Plc - consolidated financial statements

Consolidated income statement

(EUR 1,000)	Note	2018	2017
Interest income		83,689	91,020
Interest expenses		2,214	-1,400
Net interest income	G4	85,903	89,620
Dividends	G5	114	307
Commission income		107,936	102,485
Commission expenses		-12,334	-11,056
Net commission income	G6	95,602	91,429
Net income from life insurance	G7	21,362	26,597
Net income from financial transactions	G8	4,850	841
Net income from investment properties	G9	-33	-
Other operating income	G10	2,332	1,490
Total operating income		210,131	210,284
Staff costs	G11	-66,683	-79,057
IT expenses		-25,638	-30,451
Depreciation of tangible and intangible assets	G12	-12,381	-9,465
Other operating expenses	G13	-38,346	-41,681
Total operating expenses		-143,048	-160,654
Impairment of tangible and intangible assets	G27	-	-534
Impairment of credits and other commitments	G21	-839	-574
Share of profit from associated companies		1,344	597
Operating profit		67,588	49,118
Taxes	G14	-11,583	-9,778
Profit for the reporting period		56,005	39,340
Attributable to:			
Shareholders in Aktia Bank plc		56,005	39,340
Total		56,005	39,340
Earnings per share (EPS), EUR	G15	0.81	0.57
Earnings per share (EPS), EUR, after dilution	G15	0.81	0.57

Consolidated statement of comprehensive income

(EUR 1,000)	Note	2018	2017
Profit for the reporting period		56,005	39,340
Other comprehensive income after taxes:			
Change in valuation of fair value for financial assets		-8,939	-12,837
Change in valuation of fair value for cash flow hedging		79	69
Transferred to the income statement for financial assets		-1,130	-2,982
Comprehensive income from items which can be transferred to the income statement		-9,991	-15,750
Defined benefit plan pensions		13	2,093
Comprehensive income from items which can not be transferred to the income statement		13	2,093
Total comprehensive income for the year		46,027	25,683
Total comprehensive income attributable to:			
Shareholders in Aktia Bank plc		46,027	25,683
Total		46,027	25,683
Total earnings per share, EUR	G15	0.67	0.37
Total earnings per share, EUR, after dilution	G15	0.67	0.37

Consolidated balance sheet

(EUR 1,000)	Note	31 Dec 2018	31 Dec 2017
Assets			
Interest-bearing securities		8,717	-
Shares and participations ¹		136,173	-
Investments for unit-linked investments		757,760	802,575
Financial assets measured at fair value through income statement	G17	902,650	802,575
Interest-bearing securities ²		1,340,928	1,797,199
Shares and participations ¹		-	128,159
Financial assets measured at fair value through other comprehensive income	K18	1,340,928	1,925,358
Interest-bearing securities ³	K19	307,982	367,800
Lending to Bank of Finland and other credit institutions	K20	23,110	49,910
Lending to the public and public sector entities	K20	6,105,960	5,838,764
Cash and balances with central banks	G22	289,191	282,477
Financial assets valued at amortised cost		6,726,244	6,538,950
Derivative instruments	G23	69,990	84,046
Investments in associated companies and joint ventures	G24	89	0
Intangible assets	G25	66,656	71,139
Investment properties	G26	39,079	55,195
Tangible assets excl. investment properties	G27	3,217	4,812
Tangible and intangible assets		108,953	131,145
Accrued income and advance payments		40,088	38,862
Other assets		74,765	24,420
Total other assets	G28	114,852	63,283
Income tax receivables		40	456
Deferred tax receivables	G29	2,323	4,187
Tax receivables		2,363	4,643
Total assets		9,266,069	9,550,000
Liabilities			
Liabilities to central banks		400,000	400,000
Liabilities to credit institutions		202,580	294,419
Liabilities to the public and public sector entities		3,962,540	4,118,544
Deposits	G30	4,565,120	4,812,963
Derivative instruments	G23	17,126	33,559
Debt securities issued	G31	2,460,332	2,450,748
Subordinated liabilities	G32	207,819	235,200
Other liabilities to credit institutions	G33	45,586	60,045
Other liabilities to the public and public sector entities	G34	100,000	-
Other financial liabilities		2,813,737	2,745,994
Technical provisions for risk insurances and interest-related insurances		398,930	414,978
Technical provisions for unit-linked insurances		756,774	802,349
Technical provisions	G35	1,155,704	1,217,328
Accrued expenses and income received in advance		47,466	53,700
Other liabilities		23,367	29,553
Total other liabilities	G36	70,833	83,253
Income tax liabilities		3,327	1,809
Deferred tax liabilities	G29	50,282	57,073
Tax liabilities		53,610	58,882
Total liabilities		8,676,130	8,951,979
Equity			
Restricted equity		180,653	214,533
Unrestricted equity		409,286	383,489
Shareholders' share of equity		589,939	598,022
Equity	G37	589,939	598,022
Total liabilities and equity		9,266,069	9,550,000

1) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

2) In 2017, these interest-bearing securities correspond the category Financial assets available for sale according to IAS39.

3) In 2017, these interest-bearing securities correspond the category Financial assets held until maturity according to IAS39.

Consolidated off-balance-sheet commitments

(EUR 1,000)	Note	31 Dec 2018	31 Dec 2017
Off-balance sheet commitments	G41		
Guarantees		31,255	31,704
Other commitments provided to a third party		3,573	7,325
Commitments provided to a third party on behalf of the customers		34,828	39,029
Unused credit arrangements		456,724	505,190
Other commitments provided to a third party		27,239	8,806
Irrevocable commitments provided on behalf of customers		483,964	513,996
Total		518,792	553,025

Consolidated statement of changes in equity

(EUR 1,000)	Share capital	Fund at fair value	Fund for share-based payments	Unrestricted equity reserve	Retained earnings	Shareholders' share of equity	Total equity
Equity as at 1 January 2017	163,000	67,283	1,957	108,316	272,552	613,108	613,108
Acquisition of treasury shares					-1,703	-1,703	-1,703
Divestment of treasury shares				84	1,216	1,300	1,300
Dividend to shareholders					-39,908	-39,908	-39,908
Profit for the year					39,340	39,340	39,340
Financial assets		-15,819				-15,819	-15,819
Cash flow hedging		69				69	69
Defined benefit plan pensions					2,093	2,093	2,093
Total comprehensive income for the year		-15,750			41,433	25,683	25,683
Other change in equity			-458			-458	-458
Equity as at 31 December 2017	163,000	51,533	1,499	108,400	273,590	598,022	598,022
Equity as at 1 January 2018	163,000	51,533	1,499	108,400	273,590	598,022	598,022
Restated for adoption of IFRS 9		-23,889			5,923	-17,967	-17,967
Divestment of treasury shares				535	1,217	1,752	1,752
Dividend to shareholders					-37,833	-37,833	-37,833
Profit for the period					56,005	56,005	56,005
Financial assets		-10,070				-10,070	-10,070
Cash flow hedging		79				79	79
Defined benefit plan pensions					13	13	13
Total comprehensive income for the year		-9,991			56,017	46,027	46,027
Other change in equity			-61			-61	-61
Equity as at 31 December 2018	163,000	17,653	1,438	108,935	298,913	589,939	589,939

Consolidated cash flow statement

(EUR 1,000)	2018	2017
Cash flow from operating activities		
Operating profit	67,588	49,118
Adjustment items not included in cash flow	12,066	875
Paid income taxes	-6,216	-4,864
Cash flow from operating activities before change in receivables and liabilities	73,437	45,129
Increase (-) or decrease (+) in receivables from operating activities	185,371	-226,200
Financial assets measured at fair value through the income statement	-15,833	-
Financial assets measured at fair value through other comprehensive income	345,049	-118,561
Interest-bearing securities measured at amortised cost, increase	-	-147,339
Interest-bearing securities measured at amortised cost, decrease	128,700	222,000
Loans and other receivables	-268,221	-107,832
Investments for unit-linked insurances	44,815	-79,431
Other assets	-49,139	4,963
Increase (+) or decrease (-) in liabilities from operating activities	-216,805	164,788
Deposits	-244,692	154,214
Debt securities issued	14,391	353
Other financial liabilities	85,541	-19,959
Technical provisions	-61,623	54,882
Other liabilities	-10,422	-24,702
Total cash flow from operating activities	42,003	-16,284
Cash flow from investing activities		
Investments in group companies, associated companies and joint ventures	-175	-3,593
Proceeds from sale of group companies and associated companies	963	10,393
Investment in investment properties	-5,034	-2,806
Proceeds from sale of investment properties	21,123	-
Investment in tangible and intangible assets	-6,326	-14,604
Proceeds from sale of tangible and intangible assets	0	24
Total cash flow from investing activities	10,552	-10,587
Cash flow from financing activities		
Subordinated liabilities, increase	-	18,389
Subordinated liabilities, decrease	-27,381	-26,784
Dividend/share issue to the non-controlling interest	-1,730	-1,086
Acquisition of treasury shares	-	-1,703
Divestment of treasury shares	1,195	1,300
Paid dividends	-37,833	-39,908
Total cash flow from financing activities	-65,749	-49,792
Change in cash and cash equivalents	-13,195	-76,662
Cash and cash equivalents at the beginning of the year	320,116	396,779
Cash and cash equivalents at the end of the year	306,921	320,116
Cash and cash equivalents in the cash flow statement consist of the following items:		
Repayable on demand liabilities to credit institutions, external	4,418	4,753
Bank of Finland current account	284,773	277,723
Repayable on demand claims on credit institutions	17,730	37,640
Total	306,921	320,116
Adjustment items not included in cash flow consist of:		
Impairment of interest-bearing securities	266	2,522
Unrealised change in value for financial assets measured at fair value through income statement	4,893	-
Write-downs on credits and other commitments	839	574
Change in fair values	4,777	4,898
Depreciation and impairment of tangible and intangible assets	13,381	9,999
Sales gains and losses from tangible and intangible assets	-2,290	-815
Unwound fair value hedging	-10,328	-14,400
Change in provisions	-	-1,406
Change in fair values of investment properties	-503	-582
Change in share-based payments	-897	-1,305
Other adjustments	1,928	1,390
Total	12,066	875

Key figures and ratios

(EUR 1,000 if nothing else is stated)	2018	2017
Earnings per share (EPS), EUR ¹	0.81	0.57
Total earnings per share, EUR ¹	0.67	0.37
Dividend per share, EUR	0.61	0.57
Payout ratio, %	75.1	96.1
Equity per share (NAV), EUR ^{1,2}	8.56	8.70
Average number of shares (excluding treasury shares) ¹	68,817,331	68,867,809
Number of shares at the end of the period (excluding treasury shares) ¹	68,916,364	68,718,564
Return on equity (ROE), % ²	9.4	6.5
Return on assets (ROA), % ²	0.60	0.41
Cost-to-income ratio ²	0.68	0.76
Common Equity Tier 1 capital ratio (Bank Group), %	17.5	18.0
Tier 1 capital ratio (Bank Group), %	17.5	18.0
Capital adequacy ratio (Bank Group), %	20.5	23.4
Risk-weighted commitments (Bank Group)	2,199,213	2,080,185
Capital adequacy ratio, % (finance and insurance conglomerate)	166.1	164.5
Equity ratio, % ²	6.3	6.3
Group financial assets ²	2,112,924	2,601,921
Assets under management ^{2, 3}	8,860,322	7,961,506
Borrowing from the public	3,962,540	4,118,544
Lending to the public	6,105,960	5,838,764
Premiums written before reinsurers' share ²	105,634	125,935
Expense ratio, % (life insurance company) ²	77.0	78.9
Solvency ratio (according to Solvency II, life insurance company), %	229,845	199,236
Own funds (Solvency II, life insurance company)	175,510	169,490
Solvency ratio (according to Solvency I, life insurance company), %	-	-
Solvency margin (according to Solvency I, life insurance company)	-	-
Investments at fair value (life insurance company)	1,230,542	1,342,758
Technical provisions for risk insurances and interest-related insurances	398,930	414,978
Technical provisions for unit-linked insurances	756,774	802,349
Group's personnel (FTEs), average number of employees	803	903
Group's personnel (FTEs), at the end of the period	779	804

1) Recalculated according to the number of shares after combining series A and R

2) Aktia has defined the alternative performance measures to be presented in the Group's financial reports in accordance with the guidelines for Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA). The Alternative Performance Measures (APMs) are financial measures that have not been defined in the IFRS rules, the capital requirements regulation (CRD/CRR) or in the Solvency II framework (SII). Therefore, the APMs shall not be regarded as substitutes for financial measures in accordance with IFRS. The APMs make comparison of different periods easier and gives users of financial reports useful further information.

3) Assets under management excluding custody assets (comparison periods recalculated)

Basis of calculation

Earnings per share (EPS), EUR

Profit for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Total earnings per share, EUR

Comprehensive income for the year after taxes attributable to the shareholders of Aktia Bank plc / Average number of shares over the year (adjusted for new issue)

Equity per share (NAV), EUR

Equity attributable to the shareholders of Aktia Bank plc / Number of shares at the end of the year

Return on equity (ROE), %

Profit for the year / Average equity x 100

Return on assets (ROA), %

Profit for the year / Average balance total x 100

Cost-to-income ratio

Total operating expenses / Total operating income

Common Equity Tier 1 capital ratio (Bank Group), %

Common Equity Tier 1 capital / Risk-weighted commitments x 100

Tier 1 capital ratio (Bank Group), %

Tier 1 capital / Risk-weighted commitments x 100

Capital adequacy ratio (Bank Group), %

Capital base (Tier 1 capital + Tier 2 capital) / Risk-weighted commitments x 100

The capital base is calculated in accordance with the EU requirements on capital adequacy.

Risk-weighted commitments (Bank Group)

Total assets in the balance sheet and off-balance sheet items, including derivatives valued and risk-weighted in accordance with the EU requirements on capital adequacy.

The capital requirements for operational risks have been calculated and risk-weighted in accordance with the standardised method in EU requirements on capital adequacy.

Capital adequacy ratio, % (finance and insurance conglomerate)

The total capital base of the conglomerate (equity including sector-specific assets and deductions) / Minimum requirement for the conglomerate's own funds (credit institution + insurance business) x 100

The capital adequacy of the conglomerate is regulated by section 3 of the act governing financial and insurance conglomerates and its related degree.

Equity ratio, %

Equity incl. non-controlling interest's share of equity / Average balance total x 100

Group financial assets

The Bank Group's liquidity portfolio and the life insurance company's investment portfolio

Assets under management

Assets under management and brokered mutual funds and assets managed by Aktia Fund Management Company, Aktia Asset Management, Aktia Bank's Private Banking and Aktia Life Insurance.

Expense ratio, % (life insurance company)

(Operating costs + cost of claims paid) / Total expense loadings x 100

Total expense loadings are items which, according to actuarial calculations, should cover the costs. The operating costs do not include the re-insurers' commissions.

Solvency ratio, % (according to Solvency II, life insurance company)

Solvency II capital / Solvency capital requirement (SCR) x 100

Own funds (Solvency II capital, life insurance company)

The difference between assets and liabilities valued at fair value according to the law implemented from 2016

Solvency ratio, % (according to Solvency I, life insurance company)

Solvency capital / (Technical provisions - equalisation provision - 75% of provisions for unit-linked insurance) x 100

The technical provision is calculated after deduction of the re-insurers' share.

Solvency margin (according to Solvency I, life insurance company)

The difference between assets and liabilities valued at fair value according to the law valid before 2016

G1 Consolidated accounting principles

The report by the Board of Directors and the financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 28 February 2019 and are to be adopted by the Annual General Meeting on 11 April 2019. The report by the Board of Directors and financial statements are published on 21 March 2019 at the latest.

The Group's parent company is Aktia Bank plc, domiciled in Helsinki. Aktia Bank plc's financial statements and interim reports are available on Aktia's website www.aktia.com.

Basis for preparing financial statements

Aktia Bank plc's consolidated financial statement is prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS), as adopted by the EU. In preparing the notes to the consolidated accounts, the applicable Finnish accounting and corporate legislation and regulatory requirements have also been taken into account. Figures in the accounts are presented in thousands of euros, unless indicated otherwise. The consolidated accounts have been prepared in accordance with original acquisition value, unless otherwise indicated in the accounting principles.

During the year, the figures in the interim reports are presented so that income statement items are compared with the corresponding period of the previous year, while the comparison of balance sheet items relates to the previous year-end unless specified otherwise.

In the financial statement, the term Basel III refers to EU requirements on capital adequacy 575/2013 and additional regulations issued by European and national supervisory authorities.

Aktia adheres to the European Securities and Market Agency (ESMA) guidelines regarding alternative key figures (Alternative Performance Measures, APM). The alternative key figures facilitate the comparison of periods and provide additional useful information on the financial reports' users. Aktia is presenting a number of alternative key figures from which the Group's items affecting comparability are excluded. Items affecting comparability are not linked to ongoing operations and refer to revenues and costs relating to the restructuring and disposal of businesses and the impairment of assets deviating from ongoing activities.

The following new and amended IFRSs has taken effect as of 1 January 2018:

The standard **IFRS 9** Financial Instruments was approved by the EU in November 2016, and it replaces IAS 39 Financial Instruments: Recognition and measurement. The Aktia Group implemented

IFRS 9 when the standard became mandatory on 1 January 2018. The difference in book value of financial assets and liabilities was recognised in retained earnings and in the fund at fair value within equity at the implementation of IFRS 9. Comparative figures according to IFRS 9 have not been recalculated for the previous year. Thus, the information presented in the income statement and balance sheet for 2018 is not comparable with 2017.

IFRS 9 introduces new requirements for recognition and measurement of financial assets and liabilities. The model for risk management and the characteristics of financial instruments in respect of future cash flows have an impact on the classification of the Group's financial assets and liabilities. The Group's financial assets are as of 1.1.2018 classified in the categories amortised cost, fair value through other comprehensive income, and fair value through the income statement. The reporting of financial assets according to a mixed business model, where changes in fair value according to IFRS 9 are reported through other comprehensive income, corresponds to the reporting of financial assets available for sale according to the previous IAS 39 standard.

The new rules for recognition and measurement with the transition to IFRS 9 led to less reclassification from the previous category Financial assets available for sale to the categories Financial assets measured at amortised cost and Financial assets measured at fair value through the income statement. The reclassifications had no significant impact on the Group's result or financial position with the transition to IFRS 9.

Differing from the previous model concerning provisions for credit losses based on occurred events, the requirements concerning impairment in IFRS 9 are based on a model for expected credit losses. Calculation of provisions for expected credit losses comprises financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income as well as financial guarantee contracts and loan promises. The implementation of ECL (Expected Credit Loss) models in accordance with IFRS 9 marginally decreased the provisions for impairments. The decrease had no significant impact on the Group's result or financial position with the transition to IFRS 9.

The effects of reclassification and revaluation of financial assets and new model for impairments slightly reduced the Group's equity. The effects on the Bank Group and on capital adequacy were marginal.

The requirements for hedge accounting in accordance with IFRS 9 made the method for assessing the efficiency of hedge accounting less based on rules and more adjusted according to the Group's risk management. The Group will implement the exclusion from the rules, according to which IAS 39 may be applied to so-called portfolio hedging. Changes in hedge accounting rules have no significant impact on the Group's result or financial position.

The effect of reclassification and revaluation of financial assets and the impact on equity with the transition to IFRS 9 is presented in Changes in equity and in note G16. The changes in provisions for credit losses with the implementation of ECL (Expected Credit Loss) models according to IFRS 9 is presented in note K21 and the effect on the Group's own funds at the transition to IFRS 9 is presented in note G2.

IFRS 15 Revenue from contracts with customers replaced all earlier standards and interpretations of revenue recognition. The standard was approved by the EU in October 2016, and it is mandatory as of 1 January 2018. The Aktia Group implemented IFRS 15 when the standard became mandatory. IFRS 15 includes a comprehensive five-step model for revenue recognition. In the Aktia Group, revenue recognition is reported using the accruals convention when recognising expenses and revenue. Interests are recognised according to the effective interest rate and commissions are recognised on a pro rata basis as from the time of the contract. Commission income is recognised when the work to carry out a transaction is done and the transaction is completed. Changes in accounting principles for revenue recognition are not expected to have any significant impact on the Group's result or financial position.

The following new and amended IFRSs may affect the reporting of future transactions and business

On 13 January 2016, IASB published a new standard, **IFRS 16** Leases, to supersede IAS 17 Leases. IFRS 16 eliminates the distinction between operating and finance leases for lessees, introducing a new model instead, where assets and liabilities for all leases with lease terms exceeding 12 months shall be reported in the balance sheet. For leases where the lease term is 12 months or less, or where the value of the underlying asset is low, exemptions may be applied. For the leased asset, depreciation and interest expenses relating to the lease liability are reported separately. The requirements concerning lessor accounting remain largely unchanged from IAS 17, and the distinction between operating and finance leases is retained. The new standard will mainly change the accounting of rented property and leased cars. An assessment of the likely rental period is used to define the leasing period and the discount rate is defined according to the market requirement of return. The lease asset and the lease liability will increase the balance sheet total by approximately EUR 16 million at the transition to IFRS 16. At the transition to IFRS 16, the Group will apply the modified retroactive method, which means that the right-of-use asset will be as big as the lease liability. Changes in accounting principles for leases will not have any significant impact on the Group's result or financial position. The standard was approved by the EU in October 2017. The Aktia Group implemented IFRS 16 when the standard became mandatory as of 1 January 2019.

The Group does not expect other new or revised IFRSs or interpretations from IFRIC (International Financial Reporting Interpretations Committee) to have an impact on the Group's future result, financial position or explanatory notes.

Consolidation principles

The consolidated financial statement encompasses the parent company, Aktia Bank plc, and all the subsidiaries in which the parent company has a controlling interest. The Group is deemed to have a controlling interest if it has control over the investment object, is exposed to or is entitled to variable gains from the investment and has the opportunity to use its controlling interest to influence its gain from the investment. When deeming controlling interest both potential shares with voting right and actual control are considered. Subsidiaries are consolidated from the time of acquisition until the controlling interest no longer exists.

The consolidated accounts cover those subsidiaries in which the parent company directly or indirectly owns more than 50% of voting rights or otherwise has considerable influence. The acquisition method has been applied to acquisition eliminations. The acquisition method involves the identifiable assets, liabilities, contingent assets and contingent liabilities of the acquired company at the time of acquisition being assessed at fair value. Transaction costs, with the exception of costs attributable to issue of equity instruments or debt instruments, arising in connection with an acquisition are recognised directly in the income statement.

The consolidated accounts cover those associated companies in which the parent company directly or indirectly owns 20-50% of voting rights or otherwise has considerable influence. When consolidating associated companies, the equity method has been applied. The equity method means that the Group's share of the associated company's equity and result increase or reduce the value of the shares reported on the date the accounts are closed. The Group's share of associated companies' other comprehensive income is reported on a separate row under the Group's other comprehensive income.

All internal business transactions, receivables, liabilities, dividends, profits and losses are eliminated within the consolidated accounts.

Non-controlling holdings are based on their proportional share of net assets and reported separately under consolidated shareholders' equity. The share of holdings where a non-controlling interest exists which cannot be reported as shareholders' equity is reported as other liabilities. In acquisitions possible non-controlling holdings in the acquired company are identified at the time of acquisition. The holdings are reported as shareholders' equity or as other liabilities depending on the contents of possible agreements with the owners of non-controlling interest.

Segment-based reporting

Segment reporting corresponds internal reporting to the highest executive body. The highest executive body is the function responsible for appropriation of resources and evaluation of the business segments' results. In the Group this function is identified as the Executive Committee, taking strategic decisions.

The costs of central support functions are allocated to the segments in accordance with resource use, defined projects and according to different allocation rules. Aktia Bank plc is not allocating equity to the different segments.

Group internal transactions are eliminated within each segment if the entities are in the same segment. Group internal transactions between entities in different segments are included in the eliminations.

Pricing between the segments is based on market prices.

As of 1 January 2018, as a part of the previously published new strategy, Aktia has renewed the business segments. Aktia is reporting according to three business segments as of 1 January 2018, which are Personal & Corporate Banking, Wealth Management and Group Functions. Other business is reported separately but does not make a reporting business segment. The Private Banking and Institutional customers, which previously were included in the Banking Business segment, are included in the new segment Wealth Management. The Group's treasury operations as well as other support and staff functions, which previously were included in the segments Banking Business and Miscellaneous, are included in the new segment Group functions. Other business comprised mainly Aktia Real Estate Agency Ltd until 30 June 2018. The new segment Personal & Corporate Banking consists of the previous segment Banking Business, taking the above mentioned changes into account.

Segment Personal & Corporate Banking includes Aktia Bank plc's private and corporate customers as well as the subsidiary Aktia Företagsfinans Ab.

The Wealth Management segment includes Aktia Bank plc's private banking business, institutional customers and the capital market support function as well as the subsidiaries Aktia Asset Management Ltd, Aktia Fund Management Company Ltd and Aktia Life Insurance Ltd with its real estate subsidiaries Keskinäinen Kiinteistö Oy Tikkurilantie 141 and Keskinäinen Kiinteistö Oy Areenakatu 4, as well as the associated companies Kiinteistö Oy Keinusaaren Toimistotalo 1 (holdings 50 %), Keskinäinen Kiinteistö Oy Sähkötie 14–16 (holdings 33.33 %), Kiinteistö Oy Lahden BW Tower (holdings 33.33 %), Kiinteistö Oy Skanssinkatu (holdings 49.95 %), Kiinteistö Oy Lempäälän Rajamäentie (holdings 49.95 %), Kiinteistö Oy Helsingin Gigahertsi (holdings 33.33%) and Asunto Oy Helsingin Tuulensuoja (holdings 50 %).

The segment Group functions encompasses the Group's treasury operations, other support and administrative functions as well as the subsidiary Aktia Finans Ab.

Segment Other included mainly Aktia Fastighetsförmedling Ab until 30 June 2018.

Foreign currency translation

The functional currency of the parent company is Euro, and it is also the currency used in the parent company's and the Group's reporting. Functional currency is the currency used in the economic environment where the company operates. Transactions in foreign currency are converted into the functional currency using the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency using the exchange rate on the balance date. Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency trading. The exchange rate differences that arise from the life insurance business are reported in Net income from investments, which is included in the Net income from life-insurance.

Revenue and expenses recognition

Interest and dividend

Interest income and expenses are accrued according to the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity. Interest income and expenses attributable to Financial assets held for trading are reported in the income statement as Net income from financial transactions.

When a financial asset is impaired due to a reduction in value, the original effective interest rate is used when calculating interest income.

Dividends paid on shares and participations are reported as income for the reporting period during which the right to receive payment is noted.

Commissions

Commission income and expenses are reported using the accruals convention. The cost of acquiring new insurance policies or renewing existing policies is dealt with within the insurance business as commission expenses and is included in other operating expenses.

Insurance premiums

Life insurance premiums received are reported as premiums written in the income statement and are included in the Net income from life-insurance. Premiums are reported as premiums written depending on the line of insurance in accordance with the payment principle. For the duration of the insurance contract, insurance premiums are reported as income on a pro rata basis. For the share of premiums written attributed to the time after the balance sheet date, a provision for unearned premiums (premium liabilities) is adopted in the balance sheet as part of the technical provision.

The life insurance business' insurance policies are classified either as insurance or investment agreements, based on the assessment of the insurance risk included in the agreements. Risk insurance and interest-linked insurance policies are classified as insurance agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. For investment agreements with the right to discretionary benefits (customer compensation), the opportunity in IFRS 4 to report these as insurance agreements is applied.

Claim costs

Claims paid by the life insurance business and the change in technical provision are reported in the income statement and are included in the Net income from life-insurance.

In this respect, for losses incurred that remain unpaid at the time the accounts are prepared and claims adjustment costs for these, including for losses that have not yet been reported to the Group, a provision is made in the company's technical provision (claim provision).

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

Depreciation

Tangible and intangible assets are subject to linear planned depreciation, according to the financial lifetime of the assets. As a rule, the residual value of these tangible and intangible assets is assumed to be zero. There is no depreciation of land areas. The estimated financial lifetimes for each asset category are as follows:

Buildings	40 years
Basic repairs to buildings	5-10 years
Other tangible assets	3-5 years
Intangible assets (IT acquisitions)	3-10 years

If fixed assets are classified according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, depreciation ceases.

Employee remuneration

Pension plans

The Group reports pension plans either as defined-contribution pension plans or defined-benefit pension plans. For defined-contribution pension plans, the Group makes fixed payments to external pension insurance companies. After this, the Group has no legal or actual obligation to make further payments if the pension insurance companies do not have sufficient assets to pay the employees' pensions for current or preceding periods. According to the Employees' Pensions Act, basic insurance coverage is the most important defined-contribution pension plan. Independent pension insurance companies are responsible for this form of pension protection within the Group companies. The pension insurance premiums for those arrangements which are classified as defined-contribution plans have been accrued to correspond to performance salaries in the financial statements.

The Group also has voluntary defined-benefit plans. For defined-benefit plans, the Group still has obligations after payments have been made for the reporting period and bears the actuarial risk and/or the investment risk. The Group's defined-benefit plans are reported in accordance with IAS 19 Employee benefits. Calculations are made by a qualified actuary, using the so called "Projected Unit Credit" method. A liability for defined-benefit pension plans was recognised in the financial statements. Revaluation effects from the pension liability are reported in other comprehensive income.

Share-based payments

The Group has an incentive agreement with key personnel in management positions and a share savings program for the whole staff. The Group continuously evaluates the likely outcome of this incentive agreement. The benefits earned within the incentive agreement are valued at fair value on the decision date and costs are entered linearly during the earning-period. Payment is made either as transfer of equity instruments or in cash.

For the part of the incentive agreement where payment is made as transfer of equity instruments, an accrued change is recognised in shareholders' equity under Fund for share-based payments. The cash-payment part of the incentive agreement is recorded under liabilities. Possible changes in the fair value of the liabilities are reported as Staff costs.

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be used.

Financial assets and liabilities

From 1 January 2018, Aktia is applying IFRS 9 where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

Classification of financial assets

The Group classifies financial assets in the following categories:

- Reported at amortised cost (AC)
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through the income statement (FVTPL)

The category **Financial assets reported at amortised cost** includes:

- interest-bearing securities
- interest-bearing securities
- interest-bearing securities

Financial assets are reported at amortised cost if the asset is managed according to a business model where the instrument is expected to be held until maturity in order to obtain contractual cash flows. The contractual cash flows consist only of the payment of capital and interest on the outstanding capital (SPPI). The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at amortised cost. Impairments are based on a three-stage model for expected credit losses (ECL) and are described under the heading Impairment of financial assets. Interest income, impairments as well as sales gains and losses are recorded in the income statement.

The category **Financial assets measured at fair value through other comprehensive income** includes:

- shares and participations
- interest-bearing securities

Financial assets are measured at fair value through other comprehensive income if:

- the asset is an interest-bearing security (debt instrument) managed according to a business model where the securities are held both in order to obtain contractual cash flows (only concerns the payment of capital and interest on the outstanding capital) and which may be sold if necessary
- the asset is shares and participations (equity instrument) which is not held for trading and is chosen to be classified in this category at the first recognition

The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at fair value through other comprehensive income. Impairment of debt instruments (interest-bearing securities) is based on a three-stage model for expected credit losses (ECL) and are described in more detail under the heading Impairment of financial assets. The ECL is not calculated for shares and participations. Changes in value are reported on an ongoing basis in other comprehensive income with a deduction for deferred tax. Interest income, dividends and impairments are reported in the income statement and the return of capital is reported in other comprehensive income. The counter item to impairments relating to the three-stage model for expected credit losses is recognised in the fund at fair value (other comprehensive income) and thus does not affect the fair value of the asset in the balance sheet. In connection with the sale of debt securities (debt instruments), the cumulative unrealised profit or loss is transferred from the fund at fair value to the income statement. The decision to classify shares and participations not held for trading in this category at first recognition is irrevocable. The decision lead to that future sales gains and losses on such instruments are reported in other comprehensive income. Only dividend from these instruments are recognised in the income statement.

The category **Financial assets measured at fair value through the income statement** includes:

- derivative instruments
- life insurance investments providing cover for unit-linked agreements
- shares and participations
- interest-bearing securities
- loans and other receivables (included in this category if the SPPI-requirement is not fulfilled)

Financial assets are measured at fair value through the income statement if the asset is a derivative, the asset is held for trading or is a debt instrument that does not meet the requirement for contractual cash flows. Shares and participations are included in this category if held for trading or if the possibility to be classified in the category Financial assets measured at fair value through other comprehensive income at first recognition is not used. Financial assets held for trading are assets acquired for a short time with the intent to earn revenue and where the intention is to actively trade in these instruments. If a financial asset relates to

liabilities measured at fair value through the income statement, the company may, on the occasion of first accounting, irrevocably choose also to measure the asset at fair value through the income statement if this reduces or eliminates accounting imbalance. On entering into agreements, the instruments in this category are reported at fair value and then at fair value through the income statement. Transaction costs are recorded in the income statement when they occur. Interest income, dividends, changes in fair value and sales gains and losses are reported on an ongoing basis in the income statement.

Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities, derivative instruments and debt securities to the public are reported in the category Financial liabilities. Derivative instruments are included in the balance sheet at fair value while other financial liabilities are included at their acquisition value on entering into the agreement, and subsequently at their amortised cost. When hedge accounting is applied, the amortised cost of the liabilities is adjusted with the fair value of the hedged risk. If the financial liabilities are related to commitments to acquire equity instruments, the liabilities are reported at fair value through the income statement. In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

Reclassification

In connection to acquiring a financial asset, the asset is classified according to one of the three categories of recognition. Latter reclassification of a financial asset can only be done if the business model, according to which the assets are managed, is changed. Latter reclassification can also be done if an instrument no longer meets the criteria needed for entering a certain business model. Financial liabilities are not reclassified.

Reclassification of a financial asset according to the above-mentioned requirements is to be applied going forward from the reclassification day. Previously reported profits and losses (including profits and losses from impairments) are not recalculated retroactively.

Reclassification between different valuation categories are reported as follows:

- From amortised cost to fair value through the income statement: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in the income statement.
- From fair value through the income statement to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. An expected credit loss is reported on the reclassification day according to the rules of the new valuation category and an effective interest rate for the instrument is stipulated.
- From amortised cost to fair value through other comprehensive income: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in other comprehensive income. The expected credit loss does not change due to reclassification.
- From fair value through other comprehensive income to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. The cumulative profits and losses which previously were recognised in other comprehensive income is moved from equity and adjusts the book value of the asset. This means that the asset is reported as if it always had been reported at amortised cost. The expected credit loss does not change due to reclassification.
- From fair value through the income statement to fair value through other comprehensive income: The asset is still measured at fair value. From the reclassification day the changes in fair value are recognised through other comprehensive income and an expected credit loss is on the reclassification day to be reported according to the rules of the new valuation category.
- From fair value through other comprehensive income to fair value through the income statement: The asset is still measured at fair value. As of the reclassification day cumulative profits and losses are re-entered, as previously reported in other comprehensive income, from equity to income statement. The effect of the reclassification can be seen in the income statement and in other comprehensive income but the total comprehensive income of the reclassification is zero.

Repurchase agreements

Repurchase agreements relate to agreements where the parties have reached an agreement on selling securities and the subsequent repurchase of corresponding assets at a set price. For repurchase agreements, sold securities are still reported in the balance sheet, and the payment received is reported as a financial liability. Sold securities are also reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

Cash and balances with central banks

Cash and balances with central banks consist of cash, bank balances, a current account held with the Bank of Finland and short-term deposits with a duration of less than three months. Loans to credit institutions repayable on demand are included in Loans and other receivables. Cash and cash equivalents in the cash flow statement include cash and balances with central banks, and loans to credit institutions repayable on demand.

Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments. Financial

derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Changes in fair value, together with realised profits and losses, are reported in the income statement and are included in Net income from financial transactions.

Interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties, are valued at fair value, and the change in fair value is recognised in Net income from financial transactions. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks. Individual security arrangements are made with third parties in accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

Hedge accounting

In accordance with the Aktia Group's hedge accounting policy, hedge accounting is defined either as fair value hedging or cash flow hedging. Documentation and establishment of the hedging relationship between the hedging instrument, the hedged item, the risk management aim and the strategy, occur when hedging is entered into. When a high negative correlation exists between the hedging instrument's change in value and the change in value of the hedged item or cash flow, the hedging is considered to be effective. The effectiveness of the hedging relationship is continually assessed and evaluated through prospective efficiency testing and measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 % match, the ineffective part is reported in the income statement. Aktia applies IFRS 9 hedge accounting for all hedge relationships except for portfolio hedging of interest rate risk for which the Group has chosen to use the possibility to continue to apply the rules set out in IAS 39.

Valuation of financial instruments at fair value

The fair value of listed shares and other financial instruments that are traded on an active market is based on the latest listed purchase price. Should the listed price of a financial instrument not represent actual market transactions occurring with regularity, or if listed prices cannot be obtained, the fair value is established with an appropriate valuation technique. The valuation techniques may vary from a simple analysis of discounted cash flows to complex option valuation models. The valuation models have been drawn up so that observable market prices and rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

Impairment of financial assets

The Group applies a three-stage model to calculate the expected credit losses (ECL) for the following financial assets that are not measured at fair value through the income statement:

- debt instruments (interest-bearing securities and loans and other receivables) measured at amortised cost
- debt instruments (interest-bearing securities) measured at fair value through other comprehensive income
- loan promises
- financial guarantee contracts

Expected credit loss (ECL) is not calculated for shares and participations.

Financial assets are transferred between the following three stages based on the change in the credit risk from the date of first recognition:

- Stage 1 12 months' ECL
 - Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 2 ECL for the remaining duration of non-defaulted exposures
 - The expected credit losses for the instrument's remaining duration are calculated for non-defaulted exposures where the credit risk has increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 3 ECL for the remaining duration of defaulted exposures
 - Stage 3 includes exposures for which one or more events that have a significant negative impact on the future estimated cash flows has occurred. For defaulted assets in stage 3, expected credit losses for the instruments remaining duration are recognised on an ongoing basis, whereas the effective interest rate is calculated on the impaired book value.

At each reporting date, an evaluation is made as to whether a **significant increase in the credit risk** has occurred, by comparing the probability of default at the reporting date with the situation on the date of recognition. The evaluation considers all relevant and available information which can be accessed without excessive cost or effort. This includes qualitative and quantitative and financial information that describes the future. An exposure migrates through the various ECL stages when the credit quality decreases. In a similar way, the exposure migrates back from the ECL for the entire duration to ECL 12 months if the credit quality in future periods is improved and a previous assessment of a substantial increase in credit risk is revised. Exposures whose credit quality has not substantially deteriorated since the date of recognition are considered as low credit risk. For such exposures, a 12 months ECL is calculated. When an asset is no longer recoverable, a credit loss is recognised against the impairment allowance in the balance sheet. A credit loss is recognised when all recovery actions have been completed and the final loss has been established. Any future payments are recognised in the income statement as a reversal of the credit loss.

The **expected credit losses (ECL)** are calculated as an objective probability-weighted estimate of future losses.

The calculation includes:

- Non-impaired or defaulted financial assets at the time of reporting. ECL is calculated as the present value of all estimated defaults over the financial asset's calculated term of maturity or during the following 12 months. The estimated defaults are the difference between the asset's contractual cash flows and the cash flows the Group expects to receive.
- impaired or defaulted financial assets at the time of reporting. ECL is calculated as the difference between the amortised cost and the present value of the financial asset's estimated future cash flows discounted with the effective interest rate.
- loan promises granted but not used. ECL is calculated as the difference between the contractual cash flows in case a credit is used and the cash flow the Group expects to receive.
- financial guarantee contracts. ECL is calculated as the difference between the expected payments and the amount the Group expects to recover.

Calculation of the expected credit losses (ECL): The group has internally developed models for the evaluation of the creditworthiness derived from different sources with historical data. The models are used in the assessment of the probability of default when providing loans and other financial exposures to counterparties and customers. The Group has in advance defined probabilities for counterparty risks regarding the Group's all private and corporate loans and other receivables. For **credits and other receivables**, ECL is calculated on the basis of the exposure's risk parameters PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure At Default). These parameter estimates are derived from the same models used in the IRB solvency calculation, but are based on a so-called "Point-in-Time" calibration reflecting the prevailing or anticipated economic situation at the accounting horizon. For credits in Stage 1, ECL is equal to the product of the PD, LGD and EAD, i.e. 12-month ECL. For credits in Stage 2 and 3, ECL is calculated as the sum of 12-month ECL over the lifetime of the claim, adjusted for the probability that the exposure defaults during a previous period. Lifetime ECL also takes into account the contractual amortisation plan that is reflected in both the EAD and LGD estimate. Lifetime ECL for **interest-bearing securities** is calculated on the basis of the interest certificate's contractual calendar. Lifetime ECL is calculated as LGD multiplied by the sum of all expected and discounted cash flows times the probability of a credit event (PD). PD is calculated separately for each security by allocating an appropriate risk curve and by taking into account the liquidity and tax effects. 12-month ECL is then calculated by scaling down the lifetime ECL with a securities-specific proportionality constant which comprises the credit risk quota during the certificate's lifetime and the credit risk in the coming year.

Significant increase of credit risk

When determining whether a significant increase in credit risk has occurred since the date of recognition, the Group uses both quantitative and qualitative information and analysis. The information and analysis are based on the historical data and expert assessment of the credit risk and also include financial information that describes the future.

For **credits and other receivables** an increase in credit risk is considered to have occurred:

- based on an absolute change in PD for the remaining maturity
- at the latest when a payment is over 30 days delayed or when a customer is covered by mitigating circumstances. These criteria define an absolute baseline for when an increase in credit risk has occurred when there are indications of other qualitative factors that have not been visible in regular quantitative analyses. In such cases the Group can use expert evaluations and relevant historical information

For **interest-bearing securities**, the increase in credit risk is evaluated according to two different criteria. The first criterion for an increase in credit risk is a significant drop in external credit rating. The second criterion is that the value development for the interest-bearing security keeps within its volatility range. Volatility is calculated according to the price development throughout the instrument's lifetime. In addition to the above-mentioned criteria, expert evaluation is used if necessary. The expert evaluation is carried out taking the Groups internal rating into consideration.

Assessment of impairment needs (definition of default)

In the model for calculating expected credit losses (ECL) the Group has defined default as described in the Group's credit regulations and processes when assessing the need for impairment. Default means the counterparty's inability or probable inability according to agreed terms handle all its obligations towards the bank.

A counterparty is considered defaulted if at least one of the following criteria is met:

- A significant loan repayment is delayed 90 days or more
- A significant loan repayment is delayed less than 90 days but at least one of the following criteria are met:
 - the bank has applied for or the counterparty has been declared bankrupt
 - the counterparty is in debt reconstruction
 - according to the bank's assessment it is unlikely that the customer fully can pay its loan obligations to the bank without the bank having to take action, e.g. liquidising possible collateral

Interest-bearing securities are considered defaulted if the financial position of the company, where the investment is made, meets one of the following criteria:

- The company has been declared bankrupt or is de facto insolvent and unable to make payments
- The company has entered into an agreement about business debt restructuring or has applied for protection against its creditors or is undergoing significant restructuring which affects creditors
- The company has missed a payment according to contractual cash flow and has not been corrected within 30 days

In addition to default, interest-bearing securities are checked individually for assessing the need for impairments if the security's rate has dropped under 50 %.

Information describing the future

The Group has established a panel of experts which takes account of various relevant future macro-economic factors to define an objective assumption supporting the ECL calculations. The expert panel consists of the management of the risk and economy function as well as the Group's Chief Economist, amongst others. Relevant regional and sector-specific adjustments are made to capture deviations from general macro-economic scenarios. The adjustments reflect the best assumption on future macro-economic conditions which are not incorporated in the ECL calculations. Macro-economic factors taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios for future macro-economic conditions are revised regularly.

For **credits and other receivables (credit portfolio)** the risk parameters are adjusted according to assumptions in the relevant macro scenario in calculation of lifetime ECL. The PD estimate is adjusted based on a macro economic model that takes e.g. developments of unemployment into account. If unemployment is expected to increase, the PD estimate of household credits will increase. The LGD estimate takes the assumed development of house and real estate prices into account. If the market value of the securities decreases in the scenario, this has a positive effect on the LGD estimate, given that the amortisation speed does not exceed the decrease in the market value of the securities.

The ECL calculation for **interest-bearing securities (liquidity and investment portfolio)** uses directly observable market prices and therefore needs no stochastic or constructed estimates. When the models use market information as much as possible, the market's expectation of the future development is implicitly represented in the model.

Tangible and intangible assets

The Group's real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Group. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If part of the premises is used by the Group, the division has been made according to the square metres reserved for their respective purposes.

Commercial properties are reported at cost after deduction for accumulated depreciations and impairments, whereas investment properties are reported at fair value. The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments. Changes in the fair values of investment properties are reported in the income statement.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. Planned depreciation is based on the financial lifetime of the assets.

Assets classified as held for sale

A fixed asset, or a disposal group, is reported in Assets classified as held for sale if the asset is available for immediate sale in accordance with conditions that are normal and customary when selling such assets. It must also be extremely likely that a sale will take place. In order for a sale to be extremely likely, a decision must have been taken by the Board of Directors on a plan for selling the asset, and active work must have been started to find a buyer and accomplish the plan. Assets held for sale are valued at fair value with deductions for sales costs. Discontinued operations are part of the company's operations, representing an independent business, a significant operation within a geographic area or a subsidiary acquired solely for the purpose to be sold again. Classification as discontinued operation is made at the time of divestment or at an earlier time when the business operations meet the criteria for assets held for sale.

Provisions

A provision is reported where the Group has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the Group can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation.

The Group as a lessor

Finance lease agreements

The leasing of assets where the financial risks and advantages associated with the ownership of an object are essentially transferred from the Group to the lessee is classified as a finance lease, and the assets are entered in the lessee's balance sheet. At the beginning of the leasing period, a receivable on the lessee arises in the Group which is repaid in line with the length of the leasing period. Each leasing payment is allocated between interest and repayment of the receivable. The interest income is allocated over the leasing period, so that every reporting period is allocated an amount which corresponds to a fixed interest rate for the receivable reported for each reporting period.

The Group as a lessee

Operating lease agreements

Where a lessor in all significant respects bears the financial risks and advantages associated with the ownership of an object, this is classified as an operating lease and the assets are entered in the lessor's balance sheet. Leasing rents on operating lease agreements are reported in the income statement as rental expenses.

Insurance and investment agreements

Classification of insurance and investment agreements

Insurance agreements are classified either as insurance agreements or investment agreements. Insurance agreements are agreements whereby sufficient insurance risks are transferred from the policyholder to the insurer. Investment agreements are agreements with policyholders that do not cause sufficient insurance risk to be classified as insurance agreements.

For investment agreements with the right to discretionary benefits (customer compensation) or which can be changed to such agreements, the opportunity in IFRS 4 to report these as insurance agreements is applied. Unit-linked agreements are classified either as insurance agreements or investment agreements. Unit-linked agreements that do not cause sufficient insurance risk and where there is no possibility for discretionary benefits, are classified as investment agreements. Capitalisation agreements are agreements without insurance risk, so these are classified as investment agreements.

Agreements are classified as follows:

Insurance agreements

- Agreements with sufficient insurance risk
- Agreements containing a discretionary part or the possibility of one
- Unit-linked agreements with sufficient insurance risk

Investment agreements

- Unit-linked agreements without sufficient insurance risk
- Capitalisation agreements

Reinsurance

The term reinsurance agreements refer to insurance agreements under which the insurance business can receive remuneration from another insurance company if it is liable to pay remuneration itself as a result of insurance agreements entered into. Premiums paid to reinsurers are reported as premiums written and costs attributable to compensation as insurance claims paid. Remuneration which will be received through reinsurance agreements is reported in the balance sheet as assets. Unpaid premiums to reinsurers are reported in the balance sheet as liabilities.

Liabilities attributable to insurance and investment agreements

Liabilities attributable to insurance and investment agreements are reported as technical provisions, comprising premium liabilities and outstanding claims. Calculation of technical provisions are based on assumptions of for example mortality, costs and loss ratios. The technical interest rate used in the calculation of technical provisions for insurance agreements with a guaranteed interest varies between 1.0 and 4.5%.

Outstanding claims include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and the estimated claims adjustment costs for these and provisions for claims which have not yet been reported to the Group (claims incurred but not reported). Risk insurance outstanding claims include provisions for losses incurred which are still unpaid when the accounts are closed (claims incurred) and provisions for claims which have not yet been reported to the Group (claims incurred but not reported).

Savings insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred). Pension insurance outstanding claims include provision for losses incurred which are still unpaid when the accounts are closed (claims incurred) and an estimate of future pension payments including costs.

In the consolidated IFRS accounts, the insurance company's equalisation provisions (FAS) have been transferred to shareholders' equity and deferred tax liability.

Assessment of technical provisions

When the accounts are closed, an assessment is made on whether the technical provisions included in the balance sheet are sufficient or not. If this assessment shows that they are insufficient, the technical provisions are increased.

The life insurance business' equity principle

In accordance with chapter 13, § 3 of the Insurance Companies Act, the equity principle should be followed when it comes to insurance for policies which, according to the insurance agreement, bring entitlement to additional benefits.

The life insurance business strives to ensure that the sum of the technical interest rate and the annually set customer compensation on the interest-linked pension insurance savings is higher than the return on the Finnish state ten-year bond, and on the interest-linked saving and investment insurance savings is at the same level as the Finnish state five-year bond. The solvency of the life insurance company should also be kept at a level which allows customer compensation payments and profits to be paid to the shareholders.

The Board of Directors of Aktia Life Insurance Ltd decides on customer bonuses and rebates on an annual basis.

Equity

Dividend payments to shareholders are reported in shareholders' equity when the annual general meeting decides on the pay-out.

Holdings with non-controlling interest

Non-controlling holdings include the minority's share and is reported in equity. For subsidiaries having certain redemption clauses in their contracts, the non-controlling holdings are reported as liability to the owners. The liability to non-controlling holdings is valued at fair value on the reporting date.

Non-controlling holdings of the subsidiary Aktia Asset Management Ltd is reported as a liability to the owners, and the change in the fair value of the liability is reported as personnel costs.

Accounting principles requiring management discretion

When preparing reports in accordance with the IFRS certain estimations and assessments are required by management which have an impact on the income, expenses, contingent assets and contingent liabilities presented in the report.

The Group's central assumption relates to the future and key uncertainty factors in connection with balance date estimations, and depends on factors such as fair value estimations, the impairment of financial assets, the impairment of loans and other receivables, impairment of tangible and intangible assets, and assumptions made in actuarial calculations.

Estimates and valuation of fair value

Valuation of unquoted financial assets or other financial assets where access to market information is limited requires management discretion. The principles of valuation at fair value are described in the section Valuation of financial instruments at fair value. The fair value of financial assets held until maturity in order to obtain contractual cash flows is sensitive to both changes in interest rate levels and the liquidity and risk premiums of the instrument.

Impairment of financial assets

Management's assessment is required when estimating the amount and timing of future cash flows when evaluating impairment of financial assets. When estimating these cash flows, an assessment is made of the debtor's ability to pay and the net realisable value of any securities. The estimates are based on assumptions regarding various factors that can affect the ECL calculation. The actual result may vary in relation to these assumptions, which affects future changes in provisions for impairment. The principles are described above in the section Impairment of financial assets.

Actuarial calculations

Calculation of technical provisions always includes uncertainties as the technical provisions are based on assumptions of, among other things, future interest rates, mortality, illness and future cost levels. This is described in more detail in the notes and methods used and assumptions made when determining technical provisions in the life insurance business.

Share-based payments

The Group has an incentive agreement with key personnel in management positions and a share savings program for the whole staff, and the probable outcome of the incentive agreement is continuously evaluated. The principles are described above in the Section Employee remuneration and Share-based payments.

G2 The Group's risk management

1. General

The Group focuses primarily on banking, asset management and life insurance operations. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The main areas of risk are credit, interest rate and liquidity risks in the Bank Group, interest rate and other market risks and actuarial risks in the life insurance business. All of these operations are exposed to business and operational risks.

Aktia Bank Plc is the parent company of the Aktia Group. For the preparation of regulatory reports, capital adequacy calculations, and internal risk and capital allocation assessments, the company compiles data for the Bank Group, which includes Aktia Bank Plc and all subsidiaries excluding insurance holdings (the subsidiary company Aktia Life Insurance Ltd).

A description of internal control, risks and risk management in the Aktia Group, including the disclosure requirements in CRR Chapter 8 (Pillar III), is provided in the Group's Capital and Risk Management Report, which is published separately from and at the same time as the annual report.

2. Internal control and risk management

In providing financial solutions and services to its customers, Aktia is exposed to various risks. Risks and risk management are thus an important part of Aktia's operating environment and business activities. The term risk management refers to all activities related to risk taking, risk reduction, analysis, measurement, control and monitoring.

Business units and the line organisations have the primary responsibility for internal control as they are in charge of the governance of the day-to-day business activities, operational process and controls in these processes as well as for risk management measures. Risk management is a central part of the internal control process.

The independent control functions consist of the Group's Risk Control function, Compliance function, Financial Reporting and Analysis functions as well as the independent Actuarial function in Aktia Life Insurance Ltd. The role of the Risk Control function is to monitor and evaluate risk management within the Group and to report risks to the management and the Board of Directors. Risk Control is responsible for ensuring that all risks are identified, evaluated, measured, monitored, managed, mitigated and reported by and to all operating areas, and that an assessment is carried out of the Group's overall risk position. The role of the Compliance function is to control and evaluate the management of risks related to an inadequate compliance, and to report

to the management and the Board of Directors on significant observations and changes in applicable rules. The Compliance function is responsible for ensuring that the rules are adhered to within the Group's activities through its advisory and supervisory tasks and consequently supporting the business activities in ensuring that applicable rules are known and duly implemented. The Group's Data Protection Officer (DPO) forms also a part of the Compliance function. Financial Reporting and Analysis is responsible for financial data, current situation analyses and reporting to regulators and other agencies.

The Group's Internal Audit function carries out an independent assessment and evaluation of the adequacy and quality of the Group's internal control, risk management and control functions. External parties, such as auditors, also evaluate the internal control and its adequacy.

3. Group capital management

The purpose of the Group's capital management activities is to assess the Group's capitalisation in relation to the risks in business operations. Capital management should support the Group's business strategies and ensure that the Group has access to capital also during periods of weak economic activity. The objective is to find a balance between the shareholders' required rate of return and financial stability requirements of regulators, debt investors, counterparties in the Group's business activities and rating agencies. In its capital management activities, the Group strives to identify material risks and assess their extent and the capital requirements that they give rise to.

The Executive Committee is responsible for preparing the Board's annual strategic process, and for the accompanying capital planning and allocation. The Board's Risk Committee is involved in the work and prepares proposals which are then decided on by the Group's Board of Directors. The Group's Internal audit conducts an annual evaluation of the capital management process in its entirety. The rules of procedure for the Board of Directors and its Risk Committee specify the drafting and decision-making process in the capital management process. The Group's Risk Control function is in charge of compiling data and performing calculations for assessing the internal capital requirement and capital adequacy objectives.

The Group's capital planning is based on a business plan which covers changes in volumes and risk levels in the near future. Based on the plans, forecasts of changes in capital adequacy requirements for the Group and the various companies are prepared. In addition to the baseline scenarios, stress tests are performed, which are used to assess how weaker economic environments would affect capital adequacy.

The target for the Bank Group's Core Tier 1 ratio is 1.5-3 percentage points above the regulatory requirement and for total capital adequacy 2.0-3.5 percentage points. The minimum target for the Bank Group's leverage ratio is 3.5 %. The life insurance business's target Solvency II ratio is a minimum level of 125 %, taking into account the transitional measures. For the financial conglomerate, the target for capital adequacy is for it to exceed 120%.

Information on the Group's capital adequacy is presented in the Report by the Board of Directors.

4. Credit and counterparty risks

Credit risk is defined as the risk of losses brought about by a debtor failing to fulfil its obligations towards Aktia, while counterparty risk is defined as the risk of losses or negative valuation differences due to deterioration of the counterparty's creditworthiness. Credit and counterparty risks are measured by assessing expected credit losses. Expected credit losses are assessed with the help of Expected Credit Loss models (ECL) in accordance with IFRS9. ECL models are statistical models for measuring the probability of default (PD) and loss given fault (LGD) in various future macroeconomic scenarios.

The Bank Group applies internal risk classification in compliance with the advanced method (Advanced IRB) in the calculation of capital adequacy requirements for credit risk for private and household customers, and companies with small exposures. For other exposures the standardised approach is used in the capital adequacy calculation. At the end of the year, a total of 57 % of the Bank Group's exposures were covered by the IRB approach. The internal models comprise models for probability of default (PD) and loss given fault (LGD). In addition to the capital adequacy calculation these models are used for monitoring credit risk, internal risk reporting, and for estimating expected credit loss. Aktia has submitted an application to the Financial Supervisory Authority concerning the application of internal risk classification in compliance with the foundation IRB approach for companies with larger exposures.

Each year, the Group's Board of Directors determines the credit policy, and revises both the credit risk strategy and delegation of decision-making. The regulation of counterparty risks is managed in a similar manner. The Group's Board of Directors also determines also the main principles for internal credit risk models after preparation in the Board's Risk Committee as well as in the Group's Asset and Liability Committee (ALCO). ALCO is responsible for the operative decisions pertaining to internal credit risk models and the development of these.

G2.1 The Group's maximum exposure by operation

EUR million	31 Dec 2018			31 Dec 2017		
	Banking business	Life insurance business	Total group	Banking business	Life insurance business	Total group
Cash and money market	310	51	312	329	28	332
Bonds	1,361	307	1,668	1,808	373	2,180
Public sector	384	67	452	508	105	613
Government guaranteed bonds	54	6	60	72	6	79
Banks	107	23	130	269	24	293
Covered bonds	816	161	977	948	174	1,122
Corporate	0	50	50	10	63	73
Shares and mutual funds	4	133	136	9	119	128
Fixed income funds	0	100	100	0	94	94
Shares and equity funds	4	0	4	9	0	9
Real estate funds	0	29	29	0	23	23
Private Equity	0	4	4	0	2	2
Hedge funds	0	0	0	0	0	0
Loans and claims	6,116	0	6,116	5,845	0	5,845
Public sector entities	8	0	8	4	0	4
Housing associations	605	0	605	492	0	492
Corporate	709	0	709	594	0	594
Households	4,759	0	4,759	4,717	0	4,717
Non-profit organisations	35	0	35	38	0	38
Tangible assets	3	39	42	5	55	60
Bank guarantees	35	0	35	39	0	39
Unused facilities and unused limits	457	27	484	505	9	514
Derivatives (credit equivalents)	81	0	81	96	0	96
Other assets	92	5	96	43	5	46
Total	8,458	563	8,972	8,680	589	9,242

Table G2.1 presents the Group's exposure per operating area. The figures include accrued interest. Internal Group receivables and liabilities are eliminated, and deductions for acceptable collateral have not been made. Investments for unit-linked provisions are not included.

Credit risks occur in the Bank Group, while counterparty risks occur in both banking and insurance operations.

The limit structure restricts credit and counterparty risks in both banking and insurance operations, individually and also at a conglomerate level, through restrictions on the total exposure, and against individual counterparties.

4.1 Problem loans

Problem loans are followed up regularly through delinquency lists at credit level and at loan book level in the Group's risk control unit. Internal rules and tools have been created to identify at an early stage those customers whose ability to pay no longer fulfils the conditions of the debt. Acting quickly in these situations is in the interest of both the customer and the bank.

According to the Group's accounting principles, an evaluation is made at each reporting date as to whether a significant increase in the credit risk has occurred. The evaluation is based on the change in the probability of default (PD) since initial recognition, and whether the customer has a past due loan payment (30 days), or if forbearance measures have been applied. Expected credit losses for twelve months are calculated for non-defaulted exposures for which a significant increase in credit risk has not occurred (ECL Stage 1). The expected credit losses for the exposure's remaining lifetime are calculated for non-defaulted exposures for which a significant increase in credit risk has occurred (ECL Stage 2) and for defaulted exposures (ECL Stage 3). An exposure is considered to be defaulted if at least one of the following criteria is met: a significant past due loan payment (90 days or more), or a significant past due loan payment (less than 90 days) and the counterparty has been entered into bankruptcy or debt restructuring or is deemed unlikely to be able to fully pay its loan obligations.

G2.2 Loans past due by time overdue and ECL stages

(EUR million) Days	1 Jan 2018			Total
	Stage 1	Stage 2	Stage 3	
≤ 30	12.0	7.1	1.8	20.8
of which households	10.6	6.0	1.8	18.5
> 30 ≤ 90	0.0	13.5	4.3	17.8
of which households	0.0	12.7	3.7	16.3
> 90	0.0	0.0	32.4	32.4
of which households	0.0	0.0	26.6	26.6

(EUR million) Days	31 Dec 2018			Total
	Stage 1	Stage 2	Stage 3	
≤ 30	3.2	5.1	0.0	8.3
of which households	2.9	5.1	0.0	8.0
> 30 ≤ 90	0.0	18.1	0.1	18.2
of which households	0.0	17.8	0.1	17.9
> 90	0.0	0.0	34.1	34.1
of which households	0.0	0.0	27.3	27.3

G2.3 Credit exposures (incl. off-balance sheet items) per probability of default (PD) 31 Dec 2018

EUR million	Stage 1	Stage 2	Stage 3	Total
Corporate				
PD grades A	162.58	18.23	0.00	180.82
PD grades B	737.67	0.00	0.00	737.67
PD grades C	537.33	25.82	0.12	563.27
Default	0.00	0.00	26.71	26.71
	1,437.58	44.06	26.83	1,508.47
Loss allowance (ECL)	-1.91	-1.39	-21.03	-24.33
Carrying amount	1,435.67	42.67	5.81	1,484.14
Households				
PD grades A	3,474.56	7.86	0.00	3,482.42
PD grades B	967.70	7.12	0.00	974.82
PD grades C	529.67	83.05	4.77	617.49
Default	0.00	0.00	45.66	45.66
	4,971.93	98.02	50.43	5,120.39
Loss allowance (ECL)	-0.67	-2.28	-11.92	-14.87
Carrying amount	4,971.26	95.75	38.52	5,105.52
Other				
PD grades A	0.00	0.00	0.00	0.00
PD grades B	0.00	0.00	0.00	0.00
PD grades C	48.26	0.00	0.00	48.26
Default	0.00	0.00	0.00	0.00
	48.26	0.00	0.00	48.26
Loss allowance (ECL)	-0.01	0.00	0.00	-0.01
Carrying amount	48.25	0.00	0.00	48.25

G2.4 Credit exposures (incl. off-balance sheet items) per loss given default (LGD) 31 Dec 2018 (EUR million)

EUR million	Stage 1	Stage 2	Stage 3	Total
Corporate				
LGD class 1 (low)	0.00	0.00	0.00	0.00
LGD class 2	0.00	0.00	0.00	0.00
LGD class 3	756.92	24.11	0.36	781.38
LGD class 4	211.40	8.16	6.73	226.29
LGD class 5 (high)	469.26	11.79	19.75	500.80
	1,437.58	44.06	26.83	1,508.47
Loss allowance (ECL)	-1.91	-1.39	-21.03	-24.33
Carrying amount	1,435.67	42.67	5.81	1,484.14
Households				
LGD class 1 (low)	107.55	19.88	7.77	135.20
LGD class 2	2,120.30	18.96	8.38	2,147.64
LGD class 3	2,457.96	44.82	12.82	2,515.60
LGD class 4	49.40	1.98	6.44	57.81
LGD class 5 (high)	236.74	12.38	15.03	264.15
	4,971.93	98.02	50.43	5,120.39
Loss allowance (ECL)	-0.67	-2.28	-11.92	-14.87
Carrying amount	4,971.26	95.75	38.52	5,105.52
Other				
LGD class 1 (low)	0.00	0.00	0.00	0.00
LGD class 2	0.00	0.00	0.00	0.00
LGD class 3	0.11	0.00	0.00	0.11
LGD class 4	0.65	0.00	0.00	0.65
LGD class 5 (high)	47.50	0.00	0.00	47.50
	48.26	0.00	0.00	48.26
Loss allowance (ECL)	-0.01	0.00	0.00	-0.01
Carrying amount	48.25	0.00	0.00	48.25
Class 1	Risk free, e.g. state guarantee			
Class 2	Low risk, e.g. share in housing co-operative			
Class 3	Medium risk, e.g. other real estate security			
Class 4	Increased risk, other guarantees			
Class 5	High risk, no collateral			

5. Management of funding and liquidity risks

Funding and liquidity risk implies a risk that the Group will not be able to meet its payment obligations, or could only do so at high cost, and is defined as the availability and cost of refinancing, as well as differences in maturity between assets and liabilities. Funding risk also occurs if funding is largely concentrated in individual counterparties, instruments or markets. Management of refinancing risks ensures that the Group can honour its financial obligations.

The funding and liquidity risks are managed at legal company level, and there are no explicit financing commitments between Aktia Bank Plc and Aktia Life Insurance Ltd.

5.1 Liquidity reserve and measurement of liquidity risk

The liquidity portfolio consists of high-quality assets that can be used to meet liquidity requirements in stressed situations. The unencumbered assets in the liquidity portfolio, which in the aforesaid manner can be used as a liquidity reserve, including cash, had a market value of EUR 965 (1,356) million at year-end.

To monitor liquidity risks, a so-called survival horizon is used. The survival horizon measures how long the cash flows of the liquidity reserve will last to cover the contractual outgoing cash flow to the capital market without access to new financing. On 31 December 2018 the liquidity reserve would survive for over 21 months in a scenario with completely closed capital markets.

Liquidity risks are also measured and monitored based on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). LCR measures the short-term liquidity risk and is aimed at ensuring that Aktia Bank's liquidity reserve, consisting of unencumbered high-quality assets, is sufficient to meet short-term net outflows in stressed situations over the coming 30 days. NSFR measures the matching of assets and liabilities with maturities of more than one year for in Aktia Bank's balance sheet and is designed to ensure that long-term lending is financed by long-term borrowing to a satisfactory degree.

LCR fluctuates over time, partly depending on the maturity structure of the bank's issued securities. Table G2.5 presents outcomes in 2018 for the LCR and NSFR risk measures for the Aktia Bank Group.

G2.5 LCR och NSFR

	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
LCR %	134 %	118 %	128 %	143 %	161 %
NSFR %	119 %	121 %	120 %	120 %	122 %

6. Management of market, balance sheet and counterparty risks

6.1 Market and asset and liability risks in the Bank Group

Each year, following preparatory work in the Group's Asset and Liability Committee (ALCO) and the Board's Risk Committee, the Group's Board of Directors adopts a strategy and defines limits for managing market risks related to the development of net interest income and volatility, and for the operational management of the Group's internal investment assets within the defined framework and limits. The bank's Treasury unit carries out transactions in order to manage the structural interest rate risk based on the established strategy and limits.

6.1.1 Interest rate risk in the banking book (IRRBB)

Structural net interest income risk arises as a result of an imbalance between reference rates and the re-pricing of assets and liabilities. As well as matching reference rates in lending and borrowing through business management, hedging with interest rate derivatives, and fixed rate investments in the liquidity portfolio are also utilised, with the aim of maintaining net interest income at a stable level and protecting financial performance against sustained low interest rates.

The structural net interest income risk is simulated using a dynamic asset and liability risk management model. The model takes into account the effects on the balance sheet's structure, starting from planned growth and simulated customer behaviour. In addition, various interest rate scenarios for dynamic or parallel changes in interest rates are applied. Table G2.6 shows that net interest income would increase if interest rates rose and decrease if interest rates declined.

G2.6 Structural interest rate risk

Interest sensitivity analysis with a parallel shift in the interest rate curve with of 1 % point

Period	Interest rate change	Change in net interest income(EUR million)			
		31 Dec 2018		31 Dec 2017	
		Down	Up	Down	Up
Changes during the next 12 months		0.0	8.1	-0.5	9.0
Changes during 12-24 months		0.6	22.8	-2.5	23.0

6.1.2 The Bank Group's liquidity portfolio and other interest-bearing securities

The liquidity portfolio of the Bank Group, which comprises of interest-bearing securities and is managed by the bank's Treasury unit, stood at EUR 1,368 (1,816) million as at 31 December 2018, which includes Aktia Bank's liquidity portfolio as well as other interest-bearing securities in the Bank Group.

The counterparty risks that arise in connection with liquidity management and the conclusion of derivatives contracts are managed by demanding a sufficiently high external rating. Counterparty risks in derivative instruments are also managed through the requirement for a Credit Support Annex agreement. Individual investment decisions are made in accordance with an investment plan in place and are based on careful assessment of the counterparty. The Group's Board of Directors establishes limits for counterparty risks every year. The investment portfolio is market valued and monitored on a daily basis.

At the end of the period, there were bonds worth EUR 18 million that did not meet the eligibility requirements for refinancing at the central bank. One of the bonds from a Finnish credit institution did not meet the eligibility requirements for refinancing at the central bank since the issue had no rating. The other bonds did not meet the eligibility requirements for refinancing at the central bank because the country of issue for these covered bonds is not an EEA or G7 country, which is an eligibility requirement for refinancing at the central bank.

No impairment losses were recognised during the year.

G2.7 Rating distribution for banking business' liquidity portfolio and other direct fixed income assets

EUR million	31 Dec 2018	31 Dec 2017
1,368	1,816	
Aaa	56.7 %	53.1 %
Aa1-Aa3	24.4 %	27.4 %
A1-A3	3.6 %	5.0 %
Baa1-Baa3	1.2 %	2.3 %
Ba1-Ba3	0.0 %	0.0 %
B1-B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Unrated domestic municipalities and credit institutions	14.0 %	11.6 %
Others without rating	0.0 %	0.6 %
Total	100.0 %	100.0 %

G2.8 Geopolitical distribution of investments due to instrument type

Aktia Banking operations	Government and govt. guaranteed		Covered Bonds (CB)		Financial institutions excl. CB		Corporate bonds		Listed Equity		Total	
	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17
Finland	215.86	225.35	68.02	49.04	18.83	81.50	-	10.00	-	-	302.71	365.89
Norway	-	-	248.32	257.15	12.07	-	-	-	-	-	260.39	257.15
Sweden	-	-	152.42	133.30	55.93	107.59	-	-	-	-	208.35	240.89
France	64.84	65.58	68.39	78.75	-	31.53	-	-	-	-	133.23	175.86
Canada	-	-	78.89	89.30	-	-	-	-	-	-	78.89	89.30
Poland	1.01	1.02	53.66	53.56	-	-	-	-	-	-	54.67	54.58
Germany	47.89	48.41	-	-	-	-	-	-	-	-	47.89	48.41
United Kingdom	-	-	34.26	75.53	-	-	-	-	-	-	34.26	75.53
Netherlands	-	-	10.48	67.46	20.35	48.82	-	-	-	-	30.83	116.28
Spain	10.85	11.24	19.91	-	-	-	-	-	-	-	30.76	11.24
Belgium	3.05	41.47	22.02	22.34	-	-	-	-	-	-	25.07	63.81
Austria	15.03	15.02	12.14	12.06	-	-	-	-	-	-	27.17	27.08
Supernational	82.76	180.54	-	-	-	-	-	-	-	-	82.76	180.54
Other	3.01	-	47.60	109.64	-	-	-	-	-	-	50.61	162.50
Total	444.30	588.63	816.11	948.13	107.18	269.44	-	10.00	-	-	1,367.59	1,816.25

6.1.3 Exchange rate risk

Exchange rate risk refers to a negative change in value of the Bank Group's currency positions caused by fluctuations in exchange rates, particularly against the euro.

In the Bank Group, currency dealings are based on customer requirements, which is why most of this activity involves Nordic currencies and the US dollar. The guiding principle for the management of exchange rate risks is matching. The Treasury unit is responsible for managing the bank's day-to-day currency position, subject to the limits set.

At year-end, total net currency exposure for the Bank Group amounted to EUR 3.6 (3.5) million.

6.1.4 Equity and real estate risk

Equity risk refers to changes in value due to fluctuations in share prices. Real estate risk refers to risk associated with a fall in the market value of real estate assets.

The Bank Group conducts no equity trading for trading purposes or investments in real estate property for yield purposes.

At the end of the period, real estate holdings amounted to EUR 0.0 (0.1) million and investments in shares necessary for the business amounted to EUR 3.6 (9.3) million which decreased due to the divestment of shareholdings in Folksam Non-Life Insurance.

6.1.5 Risk sensitivity

Regarding investments, the key risks are interest rate risk and credit spread risk. Table G2.9 summarises market value sensitivity for the Bank Group's financial assets available for sale in various market risk scenarios as at 31 December 2018 and 31 December 2017. The shocks applied are based on historical interest rate volatility and reflect both a high and low interest rate scenario. The same interest rate scenarios form the basis for the Board's limits on capital usage. As of 31 December 2017, an additive shock is applied with fixed percentage rates instead of a percentage shock. The risk components set out in the table are defined as follows:

Upward interest rate risk: The change is applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined on the basis of a historical analysis and the changes have been selected to represent a 99.5 percentile (the 995th highest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually and a minimum shock of 1% is applied. Due to the low interest rate environment the fixed additive shock is lower than 1% for all maturities, which means that the minimum shock of 1% has de facto been used throughout the interest rate curve.

Downward interest rate risk: The change is applied to a risk-free interest rate curve derived from Euribor and Euro swap interest rates. The stress factors have been determined on the basis of a historical analysis and the changes have been selected to represent a 0.5 percentile (the 5th lowest of 1,000 cases) for possible outcomes over a one-year period. The factors are revised annually and a minimum shock of -0.5% is applied.

Credit spread risk: Describes the risk that spreads, i.e. counterparty specific risk premiums, will rise. The size of the change is an annually revised figure that is based on yield curves for interest rate instruments with a given rating and investment type. The stress factors have been determined based on a historical analysis based on a 99.5 percentile from which the interest rate component has been excluded. The factors are revised annually.

Exchange rate risk: Describes the risk of changes in different currencies against the euro. Each currency is tested separately for an upward shock and a downward shock, and the worse outcome for each currency is selected and the effects for all currencies are then summed up. The stress factors have been determined on the basis of a historical analysis and the changes have been selected so that upward shock represents a 99.5 percentile and the downward shock a 0.5 percentile for possible outcomes over a one-year period. The factors are revised annually.

Equity and real estate risk: Describes the risk that the market value of shares and real estate will fall. The extent of the shock is -50% for listed shares, -60% for unlisted shares and -25% for real estate.

The impact on equity and income statement is given after tax.

G2.9 Sensitivity analysis for market risks

Banking Group	Financial assets measured at fair value through other comprehensive income			
	2018		2017	
	EUR million	%	EUR million	%
Market value 31.12.	1,124.0	100.0 %	1,445.4	100.0 %
IR risk up (normal method)	-23.7	-2.1 %	-27.8	-1.9 %
IR risk up (100 bp)	-23.7	-2.1 %	-27.8	-1.9 %
IR risk down (normal method)	18.1	1.6 %	23.3	1.6 %
Spreadrisk	-23.4	-2.1 %	-27.0	-1.9 %
Equity risk	-2.2	-0.2 %	-5.6	-0.4 %
Real estate risk	0.0	0.0 %	0.0	0.0 %

6.2 Market and asset and liability risks (ALM) in the insurance business)

After preparation by the Group's Asset and Liability Committee ALCO, the life insurance company's Board of Directors and the Board's Risk Committee the Group's Board of Directors sets out the investment strategy and plans as well as limits for managing market risks in both the investment portfolio and interest-linked provisions. ALCO is responsible for the operational management of internal Group investment assets within predetermined guidelines and limits. An Investment Manager has been appointed to be in charge of operational management. The Group's Risk Control function supervises risk exposure and limits.

In the life insurance business, the policyholder bears the investment risk of the investments that provide cover for unit-linked insurance policies. Other investments within the insurance company for covering technical provisions are at the company's risk. There is thus a certain degree of risk-taking in the investment activities of the insurance companies.

From a risk sensitivity perspective, the key market risks are interest rate, counterparty (spread) and real estate risk. For provisions for the interest-bearing portfolios, other risks than interest rate risk are insignificant. For the unit-linked portfolios the most significant risk is equity risk. The equalising effect between the portfolios and provisions is significantly greater than for the interest-bearing portfolios, as most of the risk is borne by the customer.

Interest rate risk is the most significant risk connected with provisions in the life insurance company and affects profitability as a result of demands for returns over guaranteed interest rates and capital adequacy as a result of the market valuation of assets and liabilities. Solvency is sensitive to an ALM risk which refers to the present value of the difference between incoming and outgoing future cash flows. In terms of liquidity and risk-taking, interest rate risk refers to the difference between the rate guaranteed to the customer and the market's risk-free rate. If the interest guaranteed to the customer exceeds the risk-free interest, a higher degree of risk-taking is required in investment activities.

The size of the credit spread risk depends on the prospects for the counterparty, the instrument's seniority, and whether or not the investment has collateral, and is the fourth largest market risk at year-end 2018. On the asset side, essentially the same instruments (fixed income instruments) are exposed to interest rate and credit spread risk, but as the interest-bearing provisions are not exposed to credit spread risk, this risk is one-sided, unlike interest rate risk. This also makes it much harder to hedge the risk, as hedging is effectively impossible without the use of credit derivatives. However, as the company is choosing not to invest in equities at this stage, a higher credit risk is the natural price to pay for the desired return. The fixed income portfolio's share of the risk in the company's own portfolio (assets not related to unit-linked insurance) remains very dominant, and at year-end fixed income

investments including cash funds amounted to EUR 479.9 (467.1) million, corresponding to 87% (81) of the investment portfolio.

For several years, the equity risk in the fixed income portfolio has related exclusively to investments in Private Equity funds and similar asset classes. In 2018 these investments were somewhat increased, and now amount to EUR 4.5 (1.7) million. In the unit-linked portfolio, on the other hand, equity risk is a significant risk. This is because equity and balanced funds account for such a large investment volume among the customers' investments that, although the company's share of the risk in the unit-linked portfolios is small in percentage terms, the amount is still significant. The market value of the unit-linked investments at year-end was EUR 756.8 (802.6) million, of which EUR 448.0 (557.0) million was exposed to equity risk.

The life insurance company's real estate risk arises through investments in indirect real estate instruments, such as unlisted real estate funds and shares in real estate companies, or in direct real estate. At year-end, total real estate investments amounted to EUR 67.2 (77.9) million. Real estate risk increases due to the real estate holdings including refinancing and it is the second most significant risk. In the unit-linked portfolios it is insignificant.

The life insurance company's exchange rate risk comes from holdings in fixed income funds that invest in emerging market government bonds issued in USD or local currencies. Some of the hedge funds' and Private Equity funds' holding are also in foreign currencies. At the end of the period, the life insurance company had underlying investments totalling EUR 47.0 (69.0) million, with open exchange rate risk in the interest-linked portfolios. Exchange rate risk arises also in the unit-linked portfolios, as a part of the fixed income and equity funds are denominated in other currencies than the euro.

The same parameters are used to calculate risk sensitivity as in the risk sensitivity calculation for the bank. These parameters are described in Chapter 6.1.6. For the life insurance company, stress is also taken into account for technical provisions.

G2.10 Rating distribution for the life insurance business' direct fixed income investments (excluding investments in fixed-income funds, real estates, equities and alternative investments)

	31 Dec 2018	31 Dec 2017
EUR million	329	373
Aaa	50.4 %	50.0 %
Aa1-Aa3	34.3 %	32.4 %
A1-A3	5.6 %	3.3 %
Baa1-Baa3	3.3 %	3.8 %
Ba1-Ba3	0.9 %	0.5 %
B1-B3	0.0 %	0.0 %
Caa1 or lower	0.0 %	0.0 %
Unrated domestic municipalities and credit institutions	0.0 %	1.6 %
Others without rating	5.5 %	8.3 %
Total	100.0 %	100.0 %

G2.11 Geopolitical distribution of investments due to instrument type

Aktia Life Insurance EUR million	Government and govt. guaranteed		Covered Bonds (CB)		Financial institutions exkl. CB		Corporate bonds		Real estate		Alternative investments		Listed Equity		Total	
	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17	12/18	12/17
Finland	21.02	27.82	5.61	-	65.00	34.94	41.89	79.56	67.17	77.87	1.72	1.56	-	-	202.41	221.75
France	37.70	38.40	79.83	80.33	1.00	-	7.27	7.46	-	-	-	-	-	-	125.80	126.19
Netherlands	3.94	10.85	28.48	29.44	9.08	12.50	2.31	2.35	-	-	-	-	-	-	43.81	55.14
United Kingdom	-	-	28.48	34.26	0.04	-	0.92	1.31	-	-	-	-	-	-	29.44	35.57
Austria	22.24	22.67	5.63	5.83	-	-	0.09	0.05	-	-	-	-	-	-	27.96	28.55
Denmark	-	-	17.81	18.44	2.56	1.11	-	-	-	-	-	-	-	-	20.37	19.55
Sweden	-	-	-	5.82	3.59	7.37	1.90	1.94	-	-	0.04	0.09	-	-	5.53	15.22
Norway	-	-	-	-	1.98	-	-	-	-	-	-	-	-	-	1.98	-
Supranational	7.46	8.72	-	-	-	-	-	-	-	-	-	-	-	-	7.46	8.72
Other	2.79	53.82	-	-	1.41	1.20	79.59	8.79	-	-	2.93	-	-	-	86.72	63.81
Totall	95.15	162.28	165.84	174.12	84.66	57.12	133.97	101.46	67.17	77.87	4.69	1.65	-	-	551.48	574.50

G2.12 Sensitivity analysis for market risks

Life insurance company	Portfolio		Technical provisions*		Total		2017 EUR million	2017 %**
	2018 EUR million	2017 EUR million	2018 EUR million	2017 EUR million	2018 EUR million	2018 %**		
Interest linked								
Market value 31.12.	500.4	546.6	-425.9	-452.2	74.5	61.9 %	94.4	66.2 %
IR risk up	-16.0	-19.2	39.1	42.0	23.1	19.2 %	22.8	16.0 %
IR risk down	17.7	22.3	-69.6	-75.0	-51.9	-43.1 %	-52.7	-37.0 %
Spreadrisk	-14.2	-18.0	0.1	0.0	-14.1	-11.7 %	-17.9	-12.6 %
Currency risk	-10.0	-4.0	0.1	0.1	-9.9	-8.2 %	-3.9	-2.7 %
Equity risk	-2.9	-1.1	0.0	0.0	-2.9	-2.4 %	-1.1	-0.8 %
Real estate risk	-25.2	-24.3	0.2	0.3	-25.0	-20.8 %	-24.1	-16.9 %
Unit- and index linked								
Market value 31.12.	756.8	802.3	-711.0	-754.1	45.8	38.1 %	48.2	33.8 %
IR risk up	-14.4	-13.3	14.8	13.8	0.4	0.3 %	0.6	0.4 %
IR risk down	16.9	15.9	-10.5	-13.2	6.4	5.3 %	2.7	1.9 %
Spreadrisk	-17.8	-19.6	16.5	18.2	-1.3	-1.1 %	-1.5	-1.0 %
Currency risk	-56.0	-37.4	52.1	34.6	-3.9	-3.2 %	-2.8	-2.0 %
Equity risk	-200.8	-216.6	186.8	200.3	-14.0	-11.6 %	-16.2	-11.4 %
Real estate risk	0.0	0.0	0.0	0.0	0.0	0.0 %	0.0	0.0 %
Total								
Market value 31.12.	1,257.2	1,348.9	-1,136.9	-1,206.3	120.3	100.0 %	142.6	100.0 %
IR risk up	-30.4	-32.4	53.9	55.8	23.5	19.5 %	23.4	16.4 %
IR risk down	34.6	38.2	-80.1	-88.2	-45.5	-37.8 %	-50.0	-35.0 %
Spreadrisk	-32.0	-37.6	16.6	18.2	-15.4	-12.8 %	-19.4	-13.6 %
Currency risk	-66.0	-41.4	52.2	34.7	-13.8	-11.5 %	-6.7	-4.7 %
Equity risk	-203.7	-217.7	186.8	200.3	-16.9	-14.0 %	-17.3	-12.1 %
Real estate risk	-25.2	-24.3	0.2	0.3	-25.0	-20.8 %	-24.1	-16.9 %

* The market value of the Technical Provisions is a risk neutral value which is obtained by discounting simulated cashflows. Therefore it differs from the book value of the Technical Provisions.

** The percentage is the portion of the total market value (120,3 for 2018)

7. Management of insurance risks

Insurance risk refers in general to the risk that claims to be paid out to policyholders exceed the amount expected. The risk is divided into underwriting risk and provision risk. Underwriting risk is caused by losses due to e.g. incorrect pricing, risk concentrations, inadequate reinsurance or unexpectedly high frequency of claims. Provision risk is the risk caused by a situation where reserves in the technical provision are not adequate to cover the claims arising from known or unknown damages covered by insurance contracts that have already been entered into.

Aktia Life Insurance provides life insurance and savings insurance. Due to the legal rules concerning insurance contracts, the company is very limited in its ability to influence premiums and terms and conditions for old policies that have already come into effect. Premium adequacy is followed up annually. For new policies, the company is free to set the premium levels itself. This is done by the Board, at the proposal of the Head Actuary. Reinsurance is used to limit compensation liabilities for the company's own account so that its solvency capital is adequate, and results do not fluctuate too much. As part of the Group's capital and risk management process, limits are derived which the Board of Directors of the life insurance company defines for the risks that the company itself can bear without taking out reinsurance.

The principal risks associated with risk insurance are biometric risks connected to mortality, compensation for healthcare costs, long-term inability to work and daily compensation in the event of illness. The most important methods used to manage risks associated with risk insurance are risk selection, tariff classification, reinsurance of risks and the monitoring of compensation costs. With respect to health insurance, the company can increase policy premiums, within certain limits, to cover the increasing compensation paid out in the event of ill health.

8. Management of operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, inadequate or unreliable systems, insufficient or unreliable information, deficient quantitative models, other failures in internal control or risk management, staff or from external factors. Operational risk also includes legal risks but excludes strategic risks. The damage arising from the occurrence of an operational risk can take the form of direct or indirect financial loss for Aktia, but can also, independently thereof, pose a threat to Aktia's reputation.

Operational risks are present in all of Aktia's operations. Under a resolution of the Board of Directors, the level of operational risks must be normal in relation to Aktia's activities and in relation to its competitors. A normal risk level is predicated on compliance with regulations, instructions and applicable laws. The level of information security in the business must also be high, i.e. the risk level must be low. All this requires a deep insight into the company's own activities, adequate, well-functioning and effective internal control and risk management, good leadership, sound processes and competent staff.

As part of the Group's risk management framework, the Board of Directors has also adopted an instruction for the management and reporting of operational risks, which covers information security and data protection.

In addition to preventing operational risks from being realised, Aktia also strives to maintain adequate insurance cover for damage that occurs as a result of irregularities, hacking and other criminal activities.

The Bank Group's capital adequacy

Banking Group includes Aktia Bank plc and all its subsidiaries except for Aktia Life Insurance, and forms a consolidated group in accordance with regulations pertaining to capital adequacy.

Calculation of the Bank Group's capital base	31 Dec 2018		30 Sep 2018		30 Jun 2018		31 Mar 2018	
	Group	Bank Group	Group	Bank Group	Group	Bank Group	Group	Bank Group
Total assets	9,266,069	8,069,224	9,363,508	8,084,250	9,380,089	8,088,139	9,364,387	8,095,329
of which intangible assets	66,656	66,346	68,021	67,676	70,240	69,814	70,975	70,468
Total liabilities	8,676,130	7,558,513	8,779,966	7,580,449	8,811,583	7,599,253	8,772,136	7,582,264
of which subordinated liabilities	207,819	207,819	207,819	207,819	223,322	223,322	228,840	228,840
Share capital	163,000	163,000	163,000	163,000	163,000	163,000	163,000	163,000
Fund at fair value	17,653	4,010	18,514	3,197	23,550	6,286	24,503	6,011
Restricted equity	180,653	167,010	181,514	166,197	186,550	169,286	187,503	169,011
Unrestricted equity reserve and other funds	110,373	110,349	109,640	109,625	109,324	109,318	109,754	109,754
Retained earnings	242,909	184,488	242,804	184,384	242,804	184,384	279,879	221,458
Profit for the year	56,005	48,865	49,584	43,596	29,827	25,899	15,115	12,843
Unrestricted equity	409,286	343,702	402,029	337,605	381,956	319,600	404,748	344,055
Shareholders' share of equity	589,939	510,712	583,543	503,801	568,506	488,886	592,251	513,065
Equity	589,939	510,712	583,543	503,801	568,506	488,886	592,251	513,065
Total liabilities and equity	9,266,069	8,069,224	9,363,508	8,084,250	9,380,089	8,088,139	9,364,387	8,095,329
Off-balance sheet commitments	518,792	491,572	562,692	542,378	537,212	519,346	551,953	543,701
The Bank Group's equity		510,712		503,801		488,886		513,065
Provision for dividends to shareholders		-42,039		-		-		-
Profit for the year, for which no application was filed with the Financial Supervisory Authority		-		-43,596		-25,899		-12,843
Intangible assets		-66,346		-67,676		-69,814		-70,468
Debentures		67,546		78,016		88,911		100,041
Additional expected losses according to IRB		-11,911		-9,096		-8,947		-12,885
Deduction for significant holdings in financial sector entities		-7,065		-7,777		-7,698		-8,212
Other incl. unpaid dividend		843		705		704		-37,074
Total capital base (CET1 + AT1 + T2)		451,739		454,377		466,144		471,623

The Bank Group's capital adequacy	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Common Equity Tier 1 Capital before regulatory adjustments	469,693	461,317	464,100	464,283	465,070
Common Equity Tier 1 Capital regulatory adjustments	-85,499	-84,956	-86,867	-92,700	-89,619
Total Common Equity Tier 1 Capital (CET1)	384,194	376,361	377,233	371,582	375,451
Additional Tier 1 capital before regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital regulatory adjustments	-	-	-	-	-
Additional Tier 1 capital after regulatory adjustments (AT1)	-	-	-	-	-
Total Tier 1 capital (T1 = CET1 + AT1)	384,194	376,361	377,233	371,582	375,451
Tier 2 capital before regulatory adjustments	67,546	78,016	88,911	100,041	111,048
Tier 2 capital regulatory adjustments	-	-	-	-	-
Total Tier 2 capital (T2)	67,546	78,016	88,911	100,041	111,048
Total own funds (TC = T1 + T2)	451,739	454,377	466,144	471,623	486,499
Risk weighted exposures total	2,199,213	2,261,990	2,317,989	2,271,555	2,080,185
of which credit risk, the standardised model	898,348	915,816	976,561	924,436	855,781
of which credit risk, the IRB model	721,351	808,123	823,390	860,341	874,488
of which 15 % risk-weight floor for residential mortgages	225,892	188,135	168,122	136,861	-
of which market risk	-	-	-	-	-
of which operational risk	353,622	349,916	349,916	349,916	349,916
Own funds requirement (8 %)	175,937	180,959	185,439	181,724	166,415
Own funds buffer	275,802	273,418	280,705	289,899	320,084
CET1 Capital ratio	17.5 %	16.6 %	16.3 %	16.4 %	18.0 %
T1 Capital ratio	17.5 %	16.6 %	16.3 %	16.4 %	18.0 %
Total capital ratio	20.5 %	20.1 %	20.1 %	20.8 %	23.4 %
Own funds floor (CRR article 500)					
Own funds	451,739	454,377	466,144	471,623	486,499
Own funds floor ¹	201,888	202,425	204,313	199,179	193,016
Own funds buffer	249,852	251,953	261,831	272,444	293,483

1) 80 % standardimenetelmän mukaisesta omien varojen vaateesta (8 %).

Vakavaraisuuslaskennassa hyödynnetään vastuun riskipainon määrittämiseksi Moody's Investors Service luottoluokituslaitoksen luokituksia.

Risk-weighted amount for operational risks	2016	2017	2018	Dec 2018	Sep 2018	Jun 2018	Mar 2018	Dec 2017
Gross income	183,272	188,920	193,603					
- average 3 years			188,598					
Capital requirement for operational risk				28,290	27,993	27,993	27,993	27,993
Risk-weighted amount				353,622	349,916	349,916	349,916	349,916

The capital requirement for operational risk is 15 % of average gross income for the last three years.

The risk-weighted amount for operational risk is calculated by dividing the capital requirement by 8 %.

The Bank Group's total exposures	31 Dec 2018				Capital requirement 8 %
	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,535,296	4,528,328	10%	465,291	37,223
Retail - Secured by immovable property SME	177,791	176,754	46%	81,332	6,507
Retail - Other non-SME	139,204	134,830	33%	44,115	3,529
Retail - Other SME	24,772	23,193	83%	19,364	1,549
Risk-weight floor for residential mortgages, 15 %	-	-	15%	225,892	18,071
Equity exposures	42,773	42,773	260%	111,248	8,900
Total exposures, IRB approach	4,919,836	4,905,878	19%	947,243	75,779
Credit risk, standardised approach					
States and central banks	391,806	456,122	0 %	804	64
Regional governments and local authorities	280,975	301,525	0 %	717	57
Multilateral development banks	15,246	15,246	0 %	-	-
International organisations	66,671	66,671	0 %	-	-
Credit institutions	427,984	239,959	27 %	65,745	5,260
Corporates	468,139	309,599	92 %	283,672	22,694
Retail exposures	298,686	142,921	72 %	102,348	8,188
Secured by immovable property	961,188	917,367	35 %	323,143	25,851
Past due items	28,675	6,735	112 %	7,548	604
Covered bonds	714,911	714,911	10 %	71,491	5,719
Other items	63,474	63,474	46 %	29,438	2,355
Total exposures, standardised approach	3,717,753	3,234,528	27 %	884,905	70,792
Total risk exposures	8,637,589	8,140,406	23 %	1,832,148	146,572

The Bank Group's total exposures	31 Dec 2017				Capital requirement 8 %
	Contractual exposure	Exposure at default	Risk weight, %	Risk-weighted amount	
Exposure class					
Credit risk, IRB approach					
Retail - Secured by immovable property non-SME	4,493,600	4,489,596	13 %	584,974	46,798
Retail - Secured by immovable property SME	141,602	141,252	50 %	70,395	5,632
Retail - Other non-SME	140,511	131,358	45 %	58,884	4,711
Retail - Other SME	33,876	32,237	93 %	30,017	2,401
Equity exposures	47,628	47,628	273 %	130,219	10,417
Total exposures, IRB approach	4,857,217	4,842,072	18 %	874,488	69,959
Credit risk, standardised approach					
States and central banks	401,010	488,626	0 %	-	-
Regional governments and local authorities	240,658	264,349	1 %	1,342	107
Multilateral development banks	50,963	50,963	0 %	-	-
International organisations	127,990	127,990	0 %	-	-
Credit institutions	702,821	433,862	25 %	109,786	8,783
Corporates	412,511	229,085	99 %	226,842	18,147
Retail exposures	276,112	127,168	68 %	86,639	6,931
Secured by immovable property	903,032	839,310	36 %	299,825	23,986
Past due items	35,995	8,959	104 %	9,332	747
Covered bonds	836,373	836,373	10 %	83,637	6,691
Other items	70,548	64,573	40 %	26,016	2,081
Total exposures, standardised approach	4,058,012	3,471,258	24 %	843,420	67,474
Total risk exposures	8,915,229	8,313,330	21 %	1,717,908	137,433

The Bank Group's leverage Ratio *	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Tier 1 capital	384,194	376,361	377,233	371,582	375,451
Total exposure	8,111,135	8,132,182	8,140,368	8,143,105	8,258,937
Leverage Ratio, %	4.74	4.63	4.63	4.56	4.55

* The leverage ratio is calculated based on end of quarter figures

The financial conglomerate's capital adequacy	31 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Summary					
The Group's equity	589,939	583,543	568,506	592,251	598,022
Sector-specific assets	73,306	84,016	95,151	106,521	117,768
Intangible assets and other reduction items	-107,253	-120,801	-118,702	-162,018	-174,845
Conglomerate's total capital base	555,991	546,758	544,955	536,754	540,944
Capital requirement for banking business	258,461	266,171	273,132	267,618	243,858
Capital requirement for insurance business ¹	76,362	81,986	83,393	86,172	85,071
Minimum amount for capital base	334,823	348,157	356,525	353,790	328,930
Conglomerate's capital adequacy	221,169	198,601	188,430	182,964	212,015
Capital adequacy ratio, %	166.1 %	157.0 %	152.9 %	151.7 %	164.5 %

1) From 1 January 2016 Solvency II requirement (SCR)

The conglomerate's capital adequacy is based on consolidation method and is calculated according to the rules of the Finnish Act on the Supervision of Financial and Insurance Conglomerates and the standards of the Finnish Financial Supervision Authority.

G3 Group's segment reporting

(EUR 1,000)	Personal & Corporate Banking		Wealth Management		Group functions		Miscellaneous		Eliminations		Total Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Income statement												
Net interest income	62,507	62,858	2,089	2,470	21,307	24,241	0	0	-	50	85,903	89,620
Net commission income	57,200	51,879	42,972	39,376	2,823	3,541	3,591	7,417	-10,984	-10,784	95,602	91,429
Net income from life insurance	-	-	17,896	23,565	-	-	-	-	3,465	3,033	21,362	26,597
Other operating income	356	331	281	246	5,806	2,301	1,066	-	-245	-239	7,264	2,638
Total operating income	120,063	115,068	63,237	65,657	29,937	30,083	4,657	7,417	-7,764	-7,941	210,131	210,284
Staff costs	-16,780	-24,826	-16,751	-17,087	-31,107	-32,761	-2,046	-4,384	-	-	-66,683	-79,057
Other expenses ¹⁾	-74,852	-74,646	-26,013	-24,743	17,733	12,521	-1,278	-2,762	8,045	8,034	-76,365	-81,597
Total operating expenses	-91,632	-99,472	-42,764	-41,830	-13,374	-20,240	-3,324	-7,147	8,045	8,034	-143,048	-160,654
Impairment of tangible and intangible assets	-	-534	-	-	-	-	-	-	-	-	-	-534
Expected credit losses and impairment of credits and other commitments	-860	-478	-	-	20	-96	-	-	-	-	-839	-574
Share of profit from associated companies	-	-	-	-	-86	-	-	-	1,430	597	1,344	597
Operating profit	27,572	14,584	20,474	23,827	16,497	9,747	1,333	270	1,711	690	67,588	49,118
Comparable operating profit	28,151	23,064	21,495	26,064	13,770	9,841	268	270	1,711	690	65,395	59,929
Balance sheet												
Financial assets measured at fair value through income statement	51	-	899,093	802,575	3,507	-	-	-	-	-	902,650	802,575
Financial assets measured at fair value through other comprehensive income	-	55	223,710	485,240	1,117,219	1,440,061	-	2	-	-	1,340,928	1,925,358
Cash and balances with central banks	4,335	4,576	83	178	284,773	277,723	-	-	-	-	289,191	282,477
Interest-bearing securities measured at amortised cost	-	-	69,013	-	238,969	367,800	-	-	-	-	307,982	367,800
Loans and other receivables	5,958,480	5,721,710	218,341	171,480	28,072	44,965	-	3,672	-75,823	-53,154	6,129,070	5,888,674
Other assets	11,109	16,744	5,675	81,499	342,230	261,881	156	484	-62,923	-77,490	296,246	283,117
Total assets	5,973,976	5,743,085	1,415,914	1,540,972	2,014,769	2,392,431	156	4,158	-138,746	-130,645	9,266,069	9,550,000
Deposits	3,352,558	3,443,137	718,395	781,014	569,808	641,658	-	-	-75,640	-52,847	4,565,120	4,812,963
Debt securities issued	633	1,152	-	-	2,459,699	2,449,596	-	-	-	-	2,460,332	2,450,748
Technical provisions	-	-	1,155,704	1,217,328	-	-	-	-	-	-	1,155,704	1,217,328
Other liabilities	2,800	5,549	29,750	40,959	465,535	433,247	-	1,644	-3,112	-10,459	494,974	470,940
Total liabilities	3,355,991	3,449,838	1,903,850	2,039,301	3,495,042	3,524,502	-	1,644	-78,753	-63,306	8,676,130	8,951,979

¹⁾ The net expenses for support and staff functions are allocated from the Group Functions to the business segments Personal & Corporate Banking and Wealth Management. This cost allocation is included in the segments' other expenses.

(EUR 1,000)

G4 Net interest income	2018	2017
Interest income		
Financial assets valued at fair value through income statement	-909	-
Financial assets valued at fair value through OCI	6,720	10,978
Receivables from credit institutions and central bank	3,691	334
Receivables from public and public sector entities	71,105	73,336
Finance lease contracts	450	372
Loans and other receivables which are valued at amortised cost	75,246	74,041
Interest-bearing securities which are valued at amortised cost	2,622	5,992
Other external interest income	11	9
Financial assets which are valued at amortised cost	77,878	80,042
Total	83,689	91,020
of which interest income from financial assets reported at stage 3	266	-
Interest expenses		
Deposits, credit institutions	-365	-423
Deposits, other than public sector entities	-3,452	-4,870
Deposits	-3,817	-5,293
Debt securities issued to the public	-25,406	-31,812
Subordinated liabilities	-5,652	-6,265
Debt securities issued and subordinated liabilities	-31,058	-38,077
Hedging derivative instruments	37,092	41,965
Other interest expenses, external	-3	4
Total	2,214	-1,400
Net interest income	85,903	89,620
Borrowing and lending	70,135	69,087
Liquidity portfolio	8,338	14,890
Hedging measures through interest rate derivatives	11,407	14,400
Other, incl. funding from wholesale market	-3,977	-8,757
Total	85,903	89,620

Borrowing and lending include the covered bonds issued by mortgage bank operations and the interest rate hedging that was made in connection with the issues. Other consists mainly of senior financing, its interest rate hedging and risk debentures.

G5 Dividends	2018	2017
Equity instruments measured at fair value through income statement	114	-
Equity instruments available for sales	-	307
Total	114	307

G6 Net commission income	2018	2017
Commission income		
Lending	10,253	10,860
Borrowing	3,532	1,285
Card- and payment services	24,368	20,734
Mutual funds, asset management and securities brokerage	59,570	54,208
Brokerage of insurance	3,646	4,227
Guarantees and other off-balance sheet commitments	524	632
Real estate agency	3,840	7,888
Legal services	695	1,244
Other commission income	1,507	1,406
Total	107,936	102,485
Commission expenses		
Money handling	-1,558	-1,372
Card- and payment services	-4,602	-4,107
Securities and investments	-5,698	-4,977
Other commission expenses	-476	-600
Total	-12,334	-11,056
Net commission income	95,602	91,429

G7 Net income from life insurance	2018	2017
Premiums written	104,932	125,206
Net income from investments	13,903	20,357
Insurance claims paid	-110,370	-106,740
Net change in technical provisions	12,896	-12,226
Net income from life insurance	21,362	26,597
PREMIUMS WRITTEN		
Premiums written from insurance agreements		
Insurance agreements	30,644	31,625
Total gross premiums written before reinsurer's share	30,644	31,625
Reinsurer's share	-702	-729
Premiums written from investment agreements	74,990	94,310
Total premiums written	104,932	125,206

Distribution of premiums	From insurance agreements		From investment agreements		Total	
	2018	2017	2018	2017	2018	2017
Premiums written from risk insurance and interest-related insurance						
Saving plans	829	1,120	-	-	829	1,120
Individual pension insurance	3,097	3,621	-	-	3,097	3,621
Group pension insurance	2,131	2,597	-	-	2,131	2,597
Risk insurance	20,882	20,705	-	-	20,882	20,705
Total	26,938	28,043	-	-	26,938	28,043
Premiums written from unit-linked agreements						
Saving plans	253	267	71,415	90,488	71,668	90,755
Individual pension insurance	1,735	1,846	3,575	3,822	5,310	5,668
Group pension insurance	1,718	1,469	-	-	1,718	1,469
Total	3,706	3,582	74,990	94,310	78,696	97,893
On-going and one-off premiums from direct insurance						
On-going premiums from insurance agreements					30,296	31,232
One-off premiums from insurance agreements					348	393
On-going premiums from investment agreements					42,510	63,359
One-off premiums from investment agreements					32,479	30,951
Total premiums written					105,634	125,935
NET INCOME FROM INVESTMENTS					2018	2017
Net income from financial assets valued at fair value through income statement						
Interest income					-109	-
Capital gains and losses					10	-
Other income and expenses					-104	-
Interest-bearing securities					-203	-
Capital gains and losses					750	-
Impairments					-4,414	-
Other income and expenses					2,589	-
Shares and participations					-1,075	-
Total					-1,278	-
Net income from financial assets measured at fair value through other comprehensive income						
Interest income					7,795	12,076
Capital gains and losses					-683	-712
Transferred to income statement from fund at fair value					1,161	1,393
Other income and expenses					-27	-26
Interest-bearing securities					8,246	12,731
Capital gains and losses					-	1,606
Impairments					-	-1,556
Transferred to income statement from fund at fair value					-	1,643
Other income and expenses					-	1,724
Shares and participations					-	3,417
Total					8,246	16,148
Net income from financial assets valued at amortised cost						
Interest income					2,927	-
Interest-bearing securities					2,927	-
Net income from investment properties						
Rental income					5,856	5,026
Valued at fair value					-1,000	-387
Capital gains and losses					1,224	653
Direct expenses from investment properties, which generated rental income during the accounting period					-2,072	-1,084
Total					4,009	4,209
Total for the Insurance business' net income from the investment business					13,903	20,357
Exchange rate differences included in net income from the investment business					-	-

INSURANCE CLAIMS PAID

	From insurance agreements		From investment agreements		Total	
	2018	2017	2018	2017	2018	2017
Claims paid from risk insurance and interest-related insurance						
Saving plans						
Repayment of saving sums	-4,861	-4,388	-	-	-4,861	-4,388
Payments in the event of death	-1,061	-1,219	-	-	-1,061	-1,219
Repurchase	-1,689	-4,005	-	-	-1,689	-4,005
Total	-7,611	-9,611	-	-	-7,611	-9,611
Individual pension insurance						
Pensions	-24,660	-25,302	-	-	-24,660	-25,302
Payments in the event of death	-431	-629	-	-	-431	-629
Repurchase	-495	-5,999	-	-	-495	-5,999
Total	-25,585	-31,930	-	-	-25,585	-31,930
Group pension insurance						
Pensions	-3,109	-3,149	-	-	-3,109	-3,149
Repurchase	-525	-	-	-	-525	-
Other	-61	-77	-	-	-61	-77
Total	-3,695	-3,226	-	-	-3,695	-3,226
Risk insurance						
Individual insurance	-10,431	-10,789	-	-	-10,431	-10,789
Group life insurance for employers	-973	-895	-	-	-973	-895
Total	-11,404	-11,683	-	-	-11,404	-11,683
Total claims paid from risk insurance and interest-related insurance	-48,295	-56,451	-	-	-48,295	-56,451
Claims paid from unit-linked agreements						
Saving plans						
Repayment of saving sums	-238	-180	-	-	-238	-180
Payments in the event of death	-109	-133	-12,814	-13,999	-12,923	-14,132
Repurchase	-1,038	-1,284	-44,810	-28,418	-45,848	-29,701
Total	-1,385	-1,596	-57,624	-42,417	-59,009	-44,013
Individual pension insurance						
Pensions	-	-	-1,771	-1,522	-1,771	-1,522
Payments in the event of death	-160	-84	-199	-218	-359	-302
Repurchase	-493	-4,042	-429	-405	-923	-4,447
Total	-653	-4,126	-2,399	-2,144	-3,053	-6,270
Group pension insurance						
Payments in the event of death	-1	-	-	-	-1	-
Repurchase	-12	-6	-	-	-12	-6
Total	-13	-6	-	-	-13	-6
Total claims paid from unit-linked agreements	-2,051	-5,728	-60,024	-44,561	-62,075	-50,289
Total claims paid	-50,346	-62,179	-60,024	-44,561	-110,370	-106,740
					2018	2017
Changes in premium provisions, interest-related					2,013	3,535
Changes in claims provisions, interest-related					14,035	24,500
Change in technical provisions, risk insurance and interest-related insurance					16,048	28,036
Changes in claims provisions, unit-linked					128	-804
Changes in premium provisions, unit-linked					45,447	-82,114
Changes in value of unit-linked investments, net					-48,727	42,655
Net change in technical provisions, unit-linked insurance					-3,152	-40,262
Total net change in technical provisions					12,896	-12,226

G8 Net income from financial transactions	2018	2017
Net income from derivative instruments valued at fair value through income statement		
Capital gains and losses from equity instruments	4,010	-
Capital gains and losses from derivative instruments	-130	-244
Total	3,880	-244
Valuation gains and losses from equity instruments	-260	1
Valuation gains and losses from derivative instruments	-901	-682
Total	-1,161	-681
Total	2,719	-925
Net income from currency trading	2,489	1,525
Net income from derivative instruments valued at fair value through other comprehensive income		
Capital gains and losses from interest-bearing securities	-200	27
Capital gains and losses from equity instruments	-	1,366
Total	-200	1,394
Valuation gains and losses from interest-bearing securities	-155	-
Total	-155	-
Transferred to income statement from fund at fair value	407	87
Total	407	87
Impairment of equity instruments	-	-966
Total	-	-966
Total	51	514
Nettotuotot korollisista arvopapereista, jotka kirjataan jaksotettuun hankintamenuon		
Valuation gains and losses from interest-bearing securities	-34	-
Total	-34	-
Total	-34	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	3,112	-
Financial derivatives hedging issued bonds	-3,674	-23,989
Changes in fair value of hedge instruments, net	-561	-23,989
Repayable on demand liabilities	-3,130	-
Bonds issued	3,316	23,715
Changes in fair value of items hedged, net	186	23,715
Total	-375	-273
Ineffective share of cash flow hedging	-	-
Net income from hedge accounting	-375	-273
Net income from financial transactions	4,850	841

On disposal of financial instruments, the unrealised value change included in the fund at fair value at the beginning of the year, is transferred from the fund at fair value to the income statement.

G9 Net income from investment properties	2018	2017
Capital losses	-33	-
Total	-33	-

G10 Other operating income	2018	2017
Income from other banking business	121	128
Capital gains from sale of tangible and intangible assets	1,108	-132
Other operating income	1,103	1,494
Total	2,332	1,490

G11 Staff	2018	2017
Salaries and remunerations	-55,383	-66,744
Share-based payments	140	1,273
Pension costs		
Defined contribution plans	-9,536	-10,876
Defined benefit plans	-154	-487
Other indirect employee costs	-1,750	-2,224
Indirect employee costs	-11,440	-13,586
Total	-66,683	-79,057
Number of employees 31 December		
Full-time	716	759
Part-time	51	58
Temporary	119	79
Total	886	896
Number of employees converted to full-time equivalents	779	804
Full-time equivalent average number of employees for the year	899	922

The managements salaries and remuneration are presented in note G44.

G12 Depreciation of tangible and intangible assets	2018	2017
Depreciation of tangible assets	-2,124	-2,935
Depreciation of intangible assets	-10,257	-6,530
Total	-12,381	-9,465

G13 Other operating expenses	2018	2017
Other staff expenses	-3,700	-5,784
Office expenses	-2,180	-1,949
Communication expenses	-4,075	-4,162
Marketing- and representation expenses	-3,218	-4,758
Purchased services	-7,181	-6,727
Rental expenses	-8,825	-10,183
Expenses for properties in own use	-1,390	-1,560
Insurance and security expenses	-3,685	-1,538
Monitoring, control and membership fees	-1,387	-1,459
Other operating expenses	-2,704	-3,561
Total	-38,346	-41,681
Auditors' fees		
Statutory auditing	-218	-219
Services related to auditing	-139	-124
Tax counselling	-80	-41
Other services	-50	-145
Total	-488	-529
The Financial Stability Board has determined the stability fees as:		
Deposit guarantee contribution	-1,901	-1,840
amount of which paid from the old Deposit Guarantee Fund	-1,901	-1,840
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	29	25
Contribution to the Single Resolution Fund	-2,361	-1,653
amount of which transferred from previously paid bank tax	-97	-1,653
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	0	2

G14 Taxes	2018	2017
Income taxes	-9,029	-5,858
Taxes from previous years	506	385
Change in deferred taxes	-3,061	-4,306
Total	-11,583	-9,778

More information on deferred taxes is presented in note G29. The tax on the Group's profit before tax deviates from the theoretical value that should arise when using the tax rate for the parent company as follows:

Profit before tax	67,588	49,118
Tax calculated on a 20.0% tax rate	-13,518	-9,824
Non-deductible expenses	-602	-597
Tax free income	1,415	296
Unused write-downs for tax purposes	20	275
Utilisation of previously unrecognised tax losses	929	6
Loss when deferred tax is not recorded	-	-260
Tax on the share of the profit from associated companies	157	320
Taxes from previous years	506	385
Other	-489	-381
Total taxes	-11,583	-9,778
Average effective tax rate	17 %	20 %

Deferred tax recognised in comprehensive income

Deferred tax relating to financial assets	2,517	3,835
Deferred tax relating to cash flow hedging	-20	-17
Deferred tax relating to defined benefit plan pensions	-3	-523
Total	2,495	3,294

G15 Earnings per share	2018	2017
Profit for the year attributable to shareholders in Aktia Bank plc	56,005	39,340
Average number of shares	68,817,331	68,867,809
Earnings per share (EPS), EUR (excluding treasury shares)	0.81	0.57
Earnings per share (EPS), EUR, after dilution (excluding treasury shares)	0.81	0.57
Total comprehensive income attributable to shareholders in Aktia Bank plc	46,027	25,683
Total earnings per share, EUR (excluding treasury shares)	0.67	0.37
Total earnings per share, EUR, after dilution (excluding treasury shares)	0.67	0.37

G16 Classification of assets and liabilities

Classification of financial instruments 1 January 2018	Note	Classification under IAS39	Classification under IFRS9	Carrying amount IAS39	Reclassification	Remeasurement *	Carrying amount IFRS 9	Equity impact as at 1 Jan 2018
Cash and balances with central banks	G22	Loans and other receivables	Amortised cost	282,477	-	-	282,477	-
Interest-bearing securities			Amortised cost	-	92,852	-23,627	69,225	-18,902
			Fair value through other comprehensive income	1,797,199	-98,416	-	1,698,782	-
Interest-bearing securities	K18	Held for sale	Fair value through the income statement	-	5,565	-	5,565	-
Interest-bearing securities ¹	K19	Held to maturity	Amortised cost	367,800	-	-	367,800	122
			Fair value through the income statement	128,159	-	-	128,159	-
Held for sale	K18	Held for sale	Fair value through the income statement	84,046	-	-	84,046	-
Derivative instruments	G23		Fair value through the income statement	49,910	-	-	49,910	-
Lending to Bank of Finland and other credit institutions	K20	Loans and other receivables	Amortised cost	5,838,764	-	1,016	5,839,780	813
Lending to the public and public sector entities	K20	Loans and other receivables	Amortised cost	802,575	-	-	802,575	-
Investments for unit-linked investments	G17	Fair value through the income statement	Fair value through the income statement					
Total				9,350,929	-	-22,611	9,328,318	-17,967

*) Includes value change and change in provisions for credit loss in connection with the transition to IFRS 9. The change in provisions for credit loss is presented in detail in note G21.

1) In connection with the transition to IFRS 9, the periodised overvalue of reclassified interest-bearing securities held until maturity is transferred from the fund at fair value to retained earnings. Simultaneously, the deferred tax liabilities of the overvaluation disappear and its effect is reported under Change in shareholder's equity in the table above as per 1 January 2018.

Assets 31 December 2018 according to IFRS 9	Note	Carrying amount IAS39 31 Dec 2017	Carrying amount IFRS 9 1 Jan 2018	Amortised cost 31 Dec 2018	Fair value through the income statement 31 Dec 2018	Fair value through other comprehensive income 31 Dec 2018	Non-financial assets 31 Dec 2018	Total 31 Dec 2018
Interest-bearing securities	G17	-	5,565	-	8,717	-	-	8,717
Shares and participations ¹	G17	128,159	128,159	-	136,173	-	-	136,173
Investments for unit-linked investments	G17	802,575	802,575	-	757,760	-	-	757,760
Interest-bearing securities ²	K18	1,797,199	1,698,782	-	-	1,340,928	-	1,340,928
Interest-bearing securities ³	K19	367,800	437,025	307,982	-	-	-	307,982
Lending to Bank of Finland and other credit institutions	K20	49,910	49,910	23,110	-	-	-	23,110
Lending to the public and public sector entities	K20	5,838,764	5,839,780	6,105,960	-	-	-	6,105,960
Cash and balances with central banks	G22	282,477	282,477	289,191	-	-	-	289,191
Derivative instruments	G23	84,046	84,046	-	69,990	-	-	69,990
Total financial instruments		9,350,929	9,328,318	6,726,244	972,640	1,340,928	-	9,039,812
Investments in associated companies and joint ventures	G24	-	-	-	-	-	89	89
Intangible assets	G25	-	-	-	-	-	66,656	66,656
Investment properties	G26	-	-	-	-	-	39,079	39,079
Other tangible assets	G27	-	-	-	-	-	3,217	3,217
Accrued income and advance payments	G28	-	-	-	-	-	40,088	40,088
Other assets	G28	-	-	-	-	-	74,765	74,765
Income tax receivables		-	-	-	-	-	40	40
Deferred tax receivables	G29	-	-	-	-	-	2,323	2,323
Total				6,726,244	972,640	1,340,928	226,257	9,266,069

1) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

2) In 2017, these interest-bearing securities correspond the category Financial assets available for sale according to IAS39.

3) In 2017, these interest-bearing securities correspond the category Financial assets held until maturity according to IAS39.

Liabilities 31 December 2018	Note	Derivatives used for hedging	Other financial liabilities	Non-financial liabilities	Total
Liabilities to credit institutions	G30	-	602,580	-	602,580
Liabilities to the public and public sector entities	G30	-	3,962,540	-	3,962,540
Derivative instruments	G23	17,126	-	-	17,126
Debt securities issued	G31	-	2,460,332	-	2,460,332
Subordinated liabilities	G32	-	207,819	-	207,819
Other liabilities to credit institutions	G33	-	45,586	-	45,586
Other liabilities to the public and public sector entities	G34	-	100,000	-	100,000
Technical provisions for risk insurances and interest-related insurances	G35	-	-	398,930	398,930
Technical provisions for unit-linked insurances	G35	-	-	756,774	756,774
Accrued expenses and income received in advance	G36	-	-	47,466	47,466
Other liabilities	G36	-	-	23,367	23,367
Income tax liabilities		-	-	3,327	3,327
Deferred tax liabilities	G29	-	-	50,282	50,282
Total		17,126	7,378,857	1,280,147	8,676,130

Liabilities		Derivatives	Other	Non-	
31 December 2017		used for	financial	financial	Total
		hedging	liabilities	liabilities	
Liabilities to credit institutions	G30	-	694,419	-	694,419
Liabilities to the public and public sector entities	G30	-	4,118,544	-	4,118,544
Derivative instruments	G23	33,559	-	-	33,559
Debt securities issued	G31	-	2,450,748	-	2,450,748
Subordinated liabilities	G32	-	235,200	-	235,200
Other liabilities to credit institutions	G33	-	60,045	-	60,045
Technical provisions for risk insurances and interest-related insurances	G35	-	-	414,978	414,978
Technical provisions for unit-linked insurances	G35	-	-	802,349	802,349
Accrued expenses and income received in advance	G36	-	-	53,700	53,700
Other liabilities	G36	-	-	29,553	29,553
Income tax liabilities		-	-	1,809	1,809
Deferred tax liabilities	G29	-	-	57,073	57,073
Total		33,559	7,558,956	1,359,463	8,951,979

G17 Financial assets measured at fair value through income statement

	2018	2017
Interest bearing securities, credit institutions	8,040	-
Interest bearing securities, other	677	-
Interest-bearing securities, Life insurance	8,717	-
Total interest-bearing securities	8,717	-
Publicly quoted shares and holdings	2,575	-
Shares and holdings that are not publicly quoted	983	-
Shares and holdings, Banking business	3,558	-
Publicly quoted shares and holdings	101,136	-
Shares and holdings that are not publicly quoted	31,480	-
Shares and holdings, Life insurance	132,615	-
Total shares and participations ¹	136,173	-
Investments for unit-linked investments		
Publicly quoted shares and holdings	757,760	802,575
Total interest-bearing securities	757,760	802,575
Total financial assets measured at fair value through income statement	902,650	802,575

1) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

G18 Financial assets measured at fair value through other comprehensive income

	2018	2017
Interest bearing securities, governments and public sector entities	337,413	424,500
Interest bearing securities, credit institutions	779,806	996,317
Interest bearing securities, other	-	10,003
Interest-bearing securities, Banking business	1,117,219	1,430,820
Interest bearing securities, governments and public sector entities	23,778	109,364
Interest bearing securities, credit institutions	151,081	194,184
Interest bearing securities, other	48,850	62,830
Interest-bearing securities, Life insurance	223,710	366,378
Total interest-bearing securities ¹	1,340,928	1,797,199
Publicly quoted shares and holdings	-	2,680
Shares and holdings that are not publicly quoted	-	6,618
Shares and holdings, Banking business	-	9,297
Publicly quoted shares and holdings	-	94,305
Shares and holdings that are not publicly quoted	-	24,557
Shares and holdings, Life insurance	-	118,862
Total shares and participations ²	-	128,159
Total financial assets measured at fair value through other comprehensive income	1,340,928	1,925,358

1) In 2017, these interest-bearing securities correspond the category Financial assets available for sale according to IAS39.

2) In 2017, shares and participations have been included in the category Financial assets available for sale according to IAS39 and have been measured at fair value through other comprehensive income. As of 1 January 2018, shares and participations are included in the category Financial assets that are measured at fair value through the income statement.

G19 Interest-bearing securities measured at amortised cost

	2018		2017	
	Carrying amount	of which ECL	Carrying amount	of which ECL
Interest-bearing securities, states	48,527	-7	48,202	-
Interest-bearing securities, other public corporations	34,957	-	319,598	-
Interest-bearing securities, credit institutions	155,485	-101	-	-
Interest-bearing securities, Banking business	238,969	-108	367,800	-
Interest-bearing securities, states	48,208	-57	-	-
Interest-bearing securities, credit institutions	20,805	-10	-	-
Interest-bearing securities, Life insurance	69,013	-66	-	-
Total interest-bearing securities measured at amortised cost ¹	307,982	-175	367,800	-

1) In 2017, these interest-bearing securities correspond the category Financial assets held until maturity according to IAS39.

G20 Loans and other receivables

	2018		2017	
	Carrying amount	of which ECL	Carrying amount	of which ECL
Claims on credit institutions payable on demand	17,730	-	37,640	-
Other than payable on demand claims on credit institutions	5,380	-	12,270	-
Lending to Bank of Finland and other credit institutions	23,110	-	49,910	-
Current account credits, public and corporates	179,030	-1,429	170,215	-
Loans	5,906,242	-34,785	5,651,051	-
Syndicated loans and repurchase agreements	100	-	34	-
Receivables from finance lease contracts	20,299	-137	16,985	-
Loans	6,105,671	-36,352	5,838,284	-
Bank guarantee claims	289	-1,183	480	-
Lending to the public and public sector entities	6,105,960	-37,535	5,838,764	-
Total	6,129,070	-37,535	5,888,674	-

Breakdown of maturity on finance lease receivables

	2018	2017
Under 1 year	10,119	6,811
1-5 years	10,886	10,035
Over 5 years	122	831
Gross investment	21,126	17,677
Unearned future finance income	-827	-692
Net investment	20,299	16,985
Present value of lease payment receivables		
Under 1 year	9,723	6,501
1-5 years	10,459	9,659
Over 5 years	117	824
Total	20,299	16,985

G21 Financial assets and impairment by stage

Book value of financial assets 31 December 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	1,648,911	-	-	1,648,911
Lending	5,948,111	134,854	46,105	6,129,070
Off-balance sheet commitments	511,429	7,218	144	518,792
Total	8,108,451	142,072	46,249	8,296,772

Book value of financial assets 1 January 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	2,164,998	-	-	2,164,998
Lending	5,718,844	124,001	45,829	5,888,674
Off-balance sheet commitments	547,097	5,413	514	553,025
Total	8,430,939	129,414	46,343	8,606,697

Impairment of credits and other commitments	Stage 1	Stage 2	Stage 3	Write-downs (IAS 39)	Total
Impairment of credits and the other commitments 31 December 2017 according to IAS 39	-	-	-	47,658	47,658
Restated for adoption of IFRS 9	1,992	4,680	39,970	-47,658	-1,016
Impairment of credits and the other commitments 1 January 2018 according to IFRS 9	1,992	4,680	39,970	-	46,642
Transferred from stage 1 to stage 2	-1,455	1,455	-	-	-
Transferred from stage 1 to stage 3	-359	-	359	-	-
Transferred from stage 2 to stage 1	145	-145	-	-	-
Transferred from stage 2 to stage 3	-	-635	635	-	-
Transferred from stage 3 to stage 1	2	-	-2	-	-
Transferred from stage 3 to stage 2	-	79	-79	-	-
Reversal of impairment	-	-	-38	-	-38
Other changes	2,273	-1,770	374	-	877
Impairment January-December 2018 in the income statement	606	-1,015	1,249	-	839
Realised losses for which write-downs were made in previous years	-	-	-8,140	-	-8,140
Reversal of impairment	-	-	38	-	38
Impairment of credits and the other commitments 31 December 2018 according to IFRS 9	2,598	3,665	33,117	-	39,379

Impairment of credits and other commitments by sector	Stage 1	Stage 2	Stage 3	Total
Households	556	2,162	9,820	12,538
Corporates	1,510	1,367	22,698	25,575
Housing associations	469	132	424	1,024
Public sector entities	2	0	-	2
Non-profit organisations	36	3	201	240
Total	2,572	3,665	33,142	39,379

Impairment of interest-bearing securities	Stage 1	Stage 2	Stage 3	Write-downs (IAS 39)	Total
Impairment of interest-bearing securities 31 December 2017 according to IAS 39	-	-	-	-	-
Restated for adoption of IFRS 9	883	-	-	-	883
Impairment of interest-bearing securities 1 January 2018 according to IFRS 9	883	-	-	-	883
Other changes	266	-	-	-	266
Impairment January-December 2018 in the income statement	266	-	-	-	266
Impairment of interest-bearing securities 31 December 2018 according to IFRS 9	1,149	-	-	-	1,149

Impairment of interest-bearing securities by sector	Stage 1	Stage 2	Stage 3	Total
Corporates	899	-	-	899
Public sector entities	250	-	-	250
Total	1,149	-	-	1,149

G22 Cash and balances with central banks	2018	2017
Cash in hand	4,418	4,753
Bank of Finland current account	284,773	277,723
Total	289,191	282,477

G23 Derivative instruments

Derivative instruments, book value	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	54,159	719	56,894	2,401
Fair value hedging	54,159	719	56,894	2,401
Interest rate derivatives	-	-	-	3,927
Cash flow hedging	-	-	-	3,927
Interest rate derivatives	15,826	16,360	27,109	27,215
Currency derivatives	5	47	44	16
Other derivative instruments	15,831	16,407	27,152	27,231
Total	69,990	17,126	84,046	33,559

The nominal value of the underlying property and the fair value of the derivative instrument

31 December 2018

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest rate swaps	620,000	1,200,000	282,000	2,102,000	54,159	719
Total fair value hedging	620,000	1,200,000	282,000	2,102,000	54,159	719
Total interest rate derivatives	620,000	1,200,000	282,000	2,102,000	54,159	719
Total hedging derivative instruments	620,000	1,200,000	282,000	2,102,000	54,159	719
Other derivative instruments						
Interest rate swaps	160,000	220,800	-	380,800	15,826	16,360
Total interest rate derivatives	160,000	220,800	-	380,800	15,826	16,360
Forward rate agreements	3,007	-	-	3,007	5	47
Total forward rate agreements	3,007	-	-	3,007	5	47
Total other derivative instruments	163,007	220,800	-	383,807	15,831	16,407
Total derivative instruments	783,007	1,420,800	282,000	2,485,807	69,990	17,126

31 December 2017

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Fair value hedging						
Interest rate swaps	525,000	1,120,000	282,000	1,927,000	56,894	2,401
Total fair value hedging	525,000	1,120,000	282,000	1,927,000	56,894	2,401
Cash flow hedging						
Interest rate swaps	85,079	-	-	85,079	-	3,927
Total cash flow hedging	85,079	-	-	85,079	-	3,927
Total interest rate derivatives	610,079	1,120,000	282,000	2,012,079	56,894	6,329
Total hedging derivative instruments	610,079	1,120,000	282,000	2,012,079	56,894	6,329
Other derivative instruments						
Interest rate swaps	235,330	321,200	60,000	616,530	26,431	26,537
Interest rate option agreements	80,000	-	-	80,000	678	678
Purchased	40,000	-	-	40,000	678	678
Written	40,000	-	-	40,000	-	-
Total interest rate derivatives	315,330	321,200	60,000	696,530	27,109	27,215
Forward rate agreements	8,805	-	-	8,805	44	16
Total forward rate agreements	8,805	-	-	8,805	44	16
Total other derivative instruments	324,135	321,200	60,000	705,335	27,152	27,231
Total derivative instruments	934,215	1,441,200	342,000	2,717,415	84,046	33,559

G24 Investments in associated companies and joint ventures

	2018	2017
Book value at 1 January	0	0
Increases	175	-
Book value at 31 December	175	0
Share of profit from associated companies	1,344	597
Dividends obtained during the year	-1,430	-597
Share of profits at 31 December	-86	-
Book value at 31 December	89	0
Associated companies:	2018	2017
Samlink Ltd, Helsinki		
Percentage of shares and votes	23 %	23 %
Book value in parent company at 31 December	0	0
Total share of profits in Samlink Ltd	1,430	597
Paikallispankkien PP-Laskenta Oy		
Percentage of shares and votes	25 %	-
Book value in parent company at 31 December	175	-
Total share of profits in Paikallispankkien PP-Laskenta Oy	-86	-

Aktia Bank plc has obtained dividends from Samlink Ltd EUR 1.4 (0.6) million.

Reports for associated companies are prepared following the Group's accounting principles in accordance with IFRS.

See note G44 for transactions with associated companies.

G25 Intangible assets	2018	2017
Acquisition cost at 1 January	103,523	89,575
Acquisitions	-117	-
Increases	5,774	13,971
Decreases	-932	-23
Acquisition cost at 31 December	108,248	103,523
Accumulated depreciations and impairments at 1 January	-32,384	-25,878
Acquisitions	117	-
Accumulated depreciation on decreases	932	23
Planned depreciation	-10,257	-6,530
Accumulated depreciations and impairments at 31 December	-41,591	-32,384
Book value at 31 December	66,656	71,139

G26 Investment properties

	Shares and participations in real estate corporations			Total
	Land and water areas	Buildings	Shares and participations in real estate corporations	
2018				
Acquisition cost at 1 January	5,726	27,995	21,511	55,232
Valuation at fair value	-	-281	870	589
Acquisitions	-	-321	-	-321
Divestments	-3,600	-13,179	-	-16,779
Increases	-	638	4,397	5,034
Decreases	-78	-	-3,561	-3,639
Acquisition cost at 31 December	2,048	14,852	23,217	40,117
Accumulated depreciations and impairments at 1 January	-	-	-38	-38
Impairments	-	-	-1,000	-1,000
Accumulated depreciations and impairments at 31 December	-	-	-1,038	-1,038
Book value at 31 December	2,048	14,852	22,179	39,079

	Shares and participations in real estate corporations			Total
	Land and water areas	Buildings	Shares and participations in real estate corporations	
2017				
Acquisition cost at 1 January	5,961	33,429	18,667	58,057
Valuation at fair value	-	-387	1,006	619
Acquisitions	-235	-6,016	-	-6,251
Increases	-	968	1,838	2,806
Acquisition cost at 31 December	5,726	27,995	21,511	55,232
Impairments	-	-	-38	-38
Accumulated depreciations and impairments at 31 December	-	-	-38	-38
Book value at 31 December	5,726	27,995	21,473	55,195

G27 Tangible assets excl. investment properties

2018	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	16,229	10,053	1,568	27,850
Divestments	-199	-26	-5	-229
Increases	329	223	-	552
Decreases	-655	-1,164	-1,027	-2,847
Acquisition cost at 31 December	15,704	9,085	537	25,326
Accumulated depreciations and impairments at 1 January	-14,044	-7,740	-1,254	-23,038
Divestments	195	11	1	207
Accumulated depreciation on decreases	560	726	1,027	2,313
Planned depreciation	-1,126	-998	-	-2,124
Accumulated impairments on decreases	95	438	-	534
Accumulated depreciations and impairments at 31 December	-14,320	-7,563	-225	-22,108
Book value at 31 December	1,384	1,522	311	3,217

2017	Machines and equipment	Office renovations	Other tangible assets	Total other tangible assets
Acquisition cost at 1 January	16,582	11,300	1,587	29,469
Increases	417	216	-	633
Decreases	-770	-1,464	-19	-2,253
Acquisition cost at 31 December	16,229	10,053	1,568	27,850
Accumulated depreciations and impairments at 1 January	-13,117	-7,427	-1,254	-21,798
Accumulated depreciation on decreases	765	1,464	-	2,229
Planned depreciation	-1,597	-1,338	-	-2,935
Impairments	-95	-438	-	-534
Accumulated depreciations and impairments at 31 December	-14,044	-7,740	-1,254	-23,038
Book value at 31 December	2,185	2,312	315	4,812

G28 Total other assets	2018	2017
Accrued and advance interests	20,158	22,293
Other accrued income and advance payments	19,930	16,569
Accrued income and advance payments	40,088	38,862
Cash items being collected	241	8,633
Other receivables	74,523	15,787
Other assets	74,765	24,420
Total	114,852	63,283

G29 Deferred tax receivables and liabilities	2018	2017
Deferred tax liabilities / receivables, net		
Net deferred tax liabilities / receivables at 1 January	52,886	52,151
Transferred deferred tax liability in connection with the transition to IFRS 9	-4,644	-
Acquisitions / divestments	-848	-276
Changes during the year booked via the income statement	3,061	4,306
Financial assets:		
Valuation at fair value direct to equity	-2,235	-3,089
Transferred to the income statement	-283	-746
Cash flow hedging:		
Valuation at fair value direct to equity	20	17
Defined-benefit pensions plans via comprehensive income	3	523
Net deferred tax liabilities / receivables at 31 December	47,960	52,886
Deferred tax liabilities		
Appropriations	43,005	41,113
Change of expected credit losses	3,313	-1,844
Financial assets	-	12,615
Cash flow hedging	-111	-71
Investment properties valued at fair value	672	1,377
Activated development costs	1,963	2,203
Equalisation provision of the life insurance business	1,440	1,680
Total	50,282	57,073
Deferred tax receivables		
Financial assets	674	2,538
Defined-benefit pension plans	107	122
Negative result	494	960
Other	1,048	567
Total	2,323	4,187
Specification of changes during the year booked via the income statement		
Appropriations	-1,892	-631
Change of expected credit losses	-73	-183
Financial assets	-1,474	-3,121
Cash flow hedging	40	-75
Investment properties valued at fair value	-139	-387
Defined-benefit pension plans	-12	59
Activated development costs	240	57
Equalisation provision of the life insurance business	240	240
Negative result	-466	-
Other	477	-264
Total	-3,061	-4,306

G30 Deposits	2018	2017
Repayable on demand liabilities to credit institutions	39,696	71,684
Other than repayable on demand deposits from credit institutions	562,884	622,735
Liabilities to credit institutions	602,580	694,419
Repayable on demand deposits	3,873,708	3,930,242
Other than repayable on demand deposits	88,833	188,301
Liabilities to the public and public sector entities	3,962,540	4,118,544
Total	4,565,120	4,812,963

G31 Debt securities issued

	2018		2017	
	Book value	Nominal value	Book value	Nominal value
Bonds	2,460,332	2,464,042	2,450,748	2,458,929
Total	2,460,332	2,464,042	2,450,748	2,458,929

	2018			2017		
	Under 1 year	Over 1 year	Total	Under 1 year	Over 1 year	Total
Secured Debts (collateralised)						
Issued covered bonds	567,067	1,099,355	1,666,422	503,373	1,165,215	1,668,587
Total	567,067	1,099,355	1,666,422	503,373	1,165,215	1,668,587
Unsecured Debts						
Issued unsecured debts, senior financing	-	793,910	793,910	236,318	545,843	782,161
Total	-	793,910	793,910	236,318	545,843	782,161

	2018				2017	
	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31 December 2018						
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	564,750	1,000,000	-	83,000	1,647,750
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	-	-	15,000	184,000	199,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	-	580,000	-	-	580,000
Other	-	-	-	-	-	37,292
Total	-	564,750	1,580,000	15,000	267,000	2,464,042

	2017				2016	
	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
31 December 2017						
Aktia Bank's EMTCN (Euro Medium Term Covered Note) program, fixed interest rate	-	500,000	1,064,750	-	83,000	1,647,750
Aktia Bank's EMTN (Euro Medium Term Note) program, incl. Schuldscheindarlehen fixed interest rate	-	5,000	-	15,000	184,000	204,000
Aktia Bank's EMTN (Euro Medium Term Note) program, variable interest rate	-	235,079	330,000	-	-	565,079
Other	-	-	-	-	-	42,100
Total	-	740,079	1,394,750	15,000	267,000	2,458,929

G32 Subordinated liabilities	2018	2017
Debentures	207,819	235,200
Total	207,819	235,200
Nominal value	207,819	235,200
Amount counted to Tier capital	67,546	111,048

There is one debenture loan amounting to EUR 21.6 million, exceeding 10 % of all subordinated liabilities. The loan was issued 19 October 2015. The loan matures 2 January 2021 and early repayment can not be required. The loan has a fixed interest rate of 2.5 %.

G33 Other liabilities to credit institutions	2018	2017
Other liabilities to credit institutions, secured debts	18,000	23,000
Other liabilities to credit institutions, unsecured debts	27,586	37,045
Total	45,586	60,045

Other liabilities to credit institutions include liabilities of EUR 46 (56) million with fixed interest rate to the European Investment Bank.

G34 Other liabilities to the public and public sector entities	2018	2017
Liabilities repayable on demand	100,000	-
Total	100,000	-

G35 Technical provisions

	From insurance agreements		From investment agreements		Total	
	2018	2017	2018	2017	2018	2017
Technical provisions at 1 January	490,444	518,941	726,883	643,504	1,217,328	1,162,446
Income from insurance premiums	29,942	30,896	74,990	94,310	104,932	125,206
Insurance claims paid	-50,346	-62,179	-60,024	-44,561	-110,370	-106,740
Transfer of savings from / to unit-linked insurance	-2,629	-3,809	2,629	3,809	-	-
Compensated interest for savings	14,469	14,858	-	-	14,469	14,858
Customer compensation for savings	74	35	-	-	74	35
Total expense loading	-8,476	-8,732	-7,916	-7,765	-16,393	-16,497
Value increases and other items	-12,367	433	-41,968	37,586	-54,335	38,019
Technical provisions at 31 December	461,110	490,444	694,594	726,883	1,155,704	1,217,328

Technical provisions by the various insurance branches	From insurance agreements		From investment agreements		Total	
	2018	2017	2018	2017	2018	2017
Saving plans	58,733	67,251	616,365	644,201	675,098	711,452
Individual pension insurance	306,959	325,718	78,229	82,682	385,189	408,400
Group pension insurance	70,725	70,798	-	-	70,725	70,798
Risk insurance	24,692	26,678	-	-	24,692	26,678
Total	461,110	490,444	694,594	726,883	1,155,704	1,217,328

Change in technical provisions	From insurance agreements		From investment agreements		Total	
	2018	2017	2018	2017	2018	2017
Technical provisions at 1 January	490,444	518,941	726,883	643,504	1,217,328	1,162,446
Year's change	-29,334	-28,497	-32,289	83,379	-61,623	54,882
Technical provisions at 31 December	461,110	490,444	694,594	726,883	1,155,704	1,217,328
of which technical provisions for risk insurance and interest-related insurance	393,639	411,771	5,291	3,208	398,930	414,978
of which technical provisions for unit-linked insurance	67,471	78,674	689,303	723,676	756,774	802,349

Average calculation interest	2018	2017
Saving plans	2,7 %	2,9 %
Individual pension insurance	3,7 %	3,8 %
Group pension insurance	3,3 %	3,3 %
Risk insurance	2,9 %	2,9 %
Total	3,5 %	3,5 %

Methods used and assumptions made when determining technical insurance provisions of the life insurance business

Technical provisions is partly calculated so that future benefits are discounted at current value with deductions for future premiums, and partly so that premiums paid are credited with technical rate of interest and customer bonuses and rebates and debited with costs and risk premiums. In the calculations assumptions for the technical rate of interest, mortality and prevalence are used, as well as the loading mentioned in the actuarial assumptions of respective product. Further, extra provisions are made in pension insurance for interest costs and increased life expectancy. Provisions for outstanding claims include provisions for claims incurred and claims incurred but not reported. Specified customer bonuses are included in technical provisions.

For unit-linked insurances, the technical provisions is calculated on the basis of the market value for those funds which are associated with the insurance policy.

The insurance amount for risk insurance which exceed the company's excess are reinsured.

G36 Total other liabilities	2018	2017
Interest liabilities	17,719	20,346
Interests received in advance	1,052	1,566
Accrued interest expenses and interest income received in advance	18,771	21,911
Other accrued expenses and income received in advance	28,696	31,789
Accrued expenses and income received in advance	47,466	53,700
Cash items in the process of collection	12,393	13,331
Defined benefit plan pensions	533	609
Other liabilities	10,441	15,613
Total other liabilities	23,367	29,553
Total	70,833	83,253

G37 Equity	2018	2017
Share capital	163,000	163,000
Fund at fair value	17,653	51,533
Restricted equity	180,653	214,533
Fund for share-based payments	1,438	1,499
Unrestricted equity reserve	108,935	108,400
Retained earnings 1 January	273,590	272,552
Dividend to shareholders	-37,833	-39,908
Other change in retained earnings	5,923	-
Acquisition of treasury shares	-	-1,703
Divestment of treasury shares	1,217	1,216
Defined pension plans, OCI	13	2,093
Profit for the year	56,005	39,340
Unrestricted equity	409,286	383,489
Shareholders' share of equity	589,939	598,022
Equity	589,939	598,022

Share capital and shares

Aktia Bank Plc has only one share class after the combination of A and R shares. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 million divided into 69,027,794 (68,718,564) Aktia shares. The number of registered shareholders at the end of the year was 37,475 (39,757). The number of Aktia shares attributable to unidentified shareholders was 765,811 (765,829).

Treasury shares

At year-end, the number of treasury Aktia shares was 111,430 (244,098).

Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets measured at fair value through the other comprehensive income and on financial derivatives that are held for cash flow hedging. Financial assets recognised in the fund at fair value are transferred to the income statement on sale or on impairment of the assets.

Fund for share-based payments

Share-based payments relate to the transfer of equity instruments which are paid to employees as remuneration for work carried out. Within the Group, there are remuneration programs with key personnel in management positions whereby certain targets must be met in order for the incentives to be issued in full. The Group continuously evaluates the likely outcome of this incentive agreement, booking a periodised increase in shareholder's equity under Fund for share-based payments.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in a new issue.

Retained earnings

Retained earnings contains retained earnings from previous years, dividends to shareholders and profit for the year. Retained earnings also contains appropriations in the separate financial statements of Group companies and the insurance companies' equalisation provisions that in the IFRS financial statements have been booked under retained earnings after deduction for deferred tax.

Specification of change in fund at fair value	2018	2017
Fund at fair value at 1 January	51,533	67,283
Restated for adoption of IFRS 9	-23,889	-
Profit / loss on valuation to fair value, shares and holdings	-	1,603
Profit / loss on valuation to fair value, interest bearing securities	-11,174	-17,529
Deferred taxes on profit / loss on valuation to fair value	2,235	3,089
Transferred to the income statement, shares and participations, included in:		
Net income from financial transactions	-	-605
Net income from life insurance	-	-1,643
Deferred taxes	-	450
Transferred to the income statement, interest-bearing securities, included in:		
Net income from financial transactions	-252	-87
Net income from life insurance	-1,161	-1,393
Deferred taxes	283	296
Profit / loss on valuation to fair value for cash flow hedging derivative contracts	99	86
Deferred taxes on profit / loss on valuation to fair value	-20	-17
Fund at fair value at 31 December	17,653	51,533

Share capital and unrestricted equity reserve

	Number of shares	Share capital	Unrestricted equity reserve
1 January 2017	66,578,811	163,000	108,316
Divestment of treasury shares			84
31 December 2017	66,578,811	163,000	108,400
Targeted share issue when merging A and R shares	2,383,851		
Divestment of treasury shares			535
Share issue 15 November 2018	65,132		
31 December 2018	69,027,794	163,000	108,935

Group's unrestricted equity	2018	2017
Group's non-distributable earnings in unrestricted equity		
Share of the accumulated appropriations that have been included in the retained earnings at 1 January	164,452	162,077
Share of activated development expenses that have been included in the retained earnings at 1 January	8,812	9,042
Total non-distributable earnings in the retained earnings 1 January	173,265	171,118
Share of accumulated appropriations that have been included in the profit for the year	7,568	2,376
Share of activated development expenses that have been included in the profit for the year	-959	-229
Total non-distributable earnings that have been included in the profit for the year	6,609	2,146
Share of the accumulated appropriations that have been included in the retained earnings at 31 December	172,020	164,452
Share of activated development expenses that have been included in the retained earnings 31 December	7,854	8,812
Total non-distributable earnings in the retained earnings 31 December	179,874	173,265
Group's distributable earnings in unrestricted equity		
Fund for share-based payments	1,438	1,499
Unrestricted equity reserve	108,935	108,400
Retained earnings 1 January	100,325	101,434
Dividend to shareholders	-37,833	-39,908
Other changes in retained earnings	7,153	1,606
Profit for the year	49,396	37,193
Total	229,413	210,224
Group's total unrestricted equity		
Fund for share-based payments	1,438	1,499
Unrestricted equity reserve	108,935	108,400
Retained earnings 1 January	273,590	272,552
Dividend to shareholders	-37,833	-39,908
Other changes in retained earnings	7,153	1,606
Profit for the year	56,005	39,340
Total	409,286	383,489

Dividend to shareholders

The Board of Directors proposes to the Annual General Meeting of Aktia Bank plc held on 11 April 2019 that a dividend of EUR 0.61 per share, totalling EUR 42,038,982.04 to be paid for the year based on the parent company's distributable retained earnings of EUR 42,720,372.06.

There have been no significant changes in the company's financial position after the end of the accounting period. The company's liquidity is good, and according to the Board of Directors the proposed distribution of dividend does not affect the solvency of the company.

G38 Financial assets and liabilities

Fair value of financial assets and liabilities	2018		2017	
	Book value	Fair value	Book value	Fair value
Financial assets				
Financial assets measured at fair value through income statement	902,650	902,650	802,575	802,575
Financial assets measured at fair value through other comprehensive income	1,340,928	1,340,928	1,925,358	1,925,358
Interest-bearing securities measured at amortised cost	307,982	336,648	367,800	376,489
Loans and other receivables	6,129,070	6,136,299	5,888,674	5,811,166
Cash and balances with central banks	289,191	289,191	282,477	282,477
Derivative instruments	69,990	69,990	84,046	84,046
Total	9,039,812	9,075,707	9,350,929	9,282,110
Financial liabilities				
Deposits	4,565,120	4,561,054	4,812,963	4,803,459
Derivative instruments	17,126	17,126	33,559	33,559
Debt securities issued	2,460,332	2,457,242	2,450,748	2,465,729
Subordinated liabilities	207,819	209,831	235,200	238,227
Other liabilities to credit institutions	45,586	46,346	60,045	60,371
Other liabilities to the public and public sector entities	100,000	100,099	-	-
Total	7,395,983	7,391,697	7,592,516	7,601,346

In the table, the fair value and the book value of the financial assets and liabilities, are presented per balance sheet item. The fair values are determined both for agreements with fixed and variable interest rates. The fair values are calculated without accrued interest and without the effect of possible hedging derivatives attributable to the balance sheet item.

Fair values on investment assets are determined by market prices quoted on the active market. If quoted market prices are not available, the value of the balance sheet items is mainly determined by discounting future cash flow using market interest rates on the day the accounts were closed. In addition to the credit risk profile of current stock, costs for re-financing are considered in the discount rate when determining fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash flow at market interest rates on the day the accounts were closed. The fair value of issued debts is mainly determined based on quotes on the market. In the discount rate for unquoted issued debts and subordinated liabilities, a margin corresponding the seniority of the instrument is applied.

Derivatives are valued at fair value corresponding to quotes on the market.

Measurement of financial assets at fair value

Level 1 consists of financial instruments that are valued using prices listed on an active market. In an active market transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis. This category includes listed bonds and other securities, listed equity instruments and derivatives, for which tradable price quotes exist.

Level 2 consists of financial instruments that do not have directly accessible listed prices from an effective market. The fair value has been determined by using valuation techniques, which are based on assumptions supported by observable market prices. Such market information may include listed interest rates, for example, or prices for closely related instruments. This category includes the majority of OTC derivative instruments, as well as many other instruments that are not traded on an active market. In addition, the Bank makes an independent valuation adjustment to the market value of the outstanding OTC derivatives for the total credit risk component for the counterparty credit risk as well as for the own credit risk.

Level 3 consists of financial instruments for which the fair value cannot be obtained directly from quoted market prices or indirectly by using valuation techniques or models supported by observable market prices. This category mainly includes unlisted equity instruments and funds, and other unlisted funds and securities where there currently are no fixed prices.

Financial instruments measured at fair value	31 December 2018				31 December 2017			
	Fair value classified into				Fair value classified into			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through income statement								
Investments for unit-linked investments	756,774	-	-	756,774	802,575	-	-	802,575
Interest-bearing securities	8,554	-	163	8,718	-	-	-	-
Shares and participations	101,136	-	35,037	136,173	-	-	-	-
Total	866,464	-	35,201	901,665	802,575	-	-	802,575
Financial assets measured at fair value through other comprehensive income								
Interest-bearing securities	1,124,752	55,069	161,107	1,340,928	1,457,566	93,215	246,419	1,797,199
Shares and participations	-	-	-	-	94,305	-	33,854	128,159
Total	1,124,752	55,069	161,107	1,340,928	1,551,870	93,215	280,273	1,925,358
Derivative instrument, net	-42	52,905	-	52,864	28	50,459	-	50,487
Total	-42	52,905	-	52,864	28	50,459	-	50,487
Total	1,991,175	107,974	196,308	2,295,457	2,354,473	143,674	280,273	2,778,420

Transfers between levels 1 and 2

Transfers between levels may occur when there are indications of changes in market conditions, e.g. when instruments cease to be actively traded. During the period no transfers between level 1 and level 2 have occurred. The decrease in level 2 is mainly due to decreased business volumes and prematurely divested securities.

Aktia Group's Risk control has the responsibility for classifying financial instrument into levels 1, 2 and 3. The valuation process, which is made on an ongoing basis, is the same for financial instruments in all levels. The process determines to which level a financial instrument will be classified. In cases where internal assumptions have a material impact on fair value, the financial instrument is reported in level 3. The process also includes an evaluation based on the quality of the valuation data, if a class of financial instrument is to be transferred between levels.

Changes within level 3

The following table present the change from year-end regarding level 3 Financial assets reported at fair value.

Reconciliation of the changes taken place for financial instruments which belong to level 3	Financial assets valued at fair value via the income statement			Financial assets measured at fair value through other comprehensive income			Total		
	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total	Interest-bearing securities	Shares and participations	Total
Carrying amount 1 January 2018	-	-	-	246,419	33,855	280,273	246,419	33,855	280,273
Reclassified according to IFRS 9	277	33,855	34,132	-277	-33,855	-34,132	-	-	-
New purchases	-	8,874	8,874	-	-	-	-	8,874	8,874
Sales	-	-7,121	-7,121	-18,071	-	-18,071	-18,071	-7,121	-25,192
Matured during the year	-	-	-	-65,000	-	-65,000	-65,000	-	-65,000
Unrealised value change in the income statement	-114	-570	-684	-	-	-	-114	-570	-684
Value change recognised in total comprehensive income	-	-	-	48	-	48	48	-	48
Transfer to level 1 and 2	-	-	-	-2,011	-	-2,011	-2,011	-	-2,011
Carrying amount 31 December 2018	163	35,038	35,201	161,107	-	161,107	161,271	35,038	196,308

Sensitivity analysis for level 3 Financial instruments

The value of financial instruments reported at fair value in level 3 includes instruments, that have been valued partly or in total, using techniques based on assumptions not supported by observable market prices.

This information shows the effect that relative uncertainty can have on the fair value of financial instruments whose valuation is dependent on non-observable parameters. The information should not be seen as predictions or as indication of future changes in fair value.

The following table shows the sensitivity of fair value in level 3 instruments in the event of market changes. Interest-bearing securities have been tested by assuming a 3 percentage points parallel shift of the interest rate level in all maturities. At the same time the market prices for shares and participations are assumed to change by 20 %. These assumptions would mean a result or valuation effect via the fund at fair value corresponding to 2.1 (2.6) % of the finance and insurance conglomerate's own funds.

Sensitivity analysis for financial instruments belonging to level 3	31 December 2018			31 December 2017		
	Effect at an assumed movement	Effect at an assumed movement		Effect at an assumed movement	Effect at an assumed movement	
	Carrying amount	Positive	Negative	Carrying amount	Positive	Negative
Financial assets measured at fair value through income statement						
Interest-bearing securities	163	5	-5	-	-	-
Shares and participations	35,037	7,007	-7,007	-	-	-
Total	35,201	7,012	-7,012	-	-	-
Financial assets measured at fair value through other comprehensive income						
Interest-bearing securities	161,107	4,833	-4,833	246,419	7,393	-7,393
Shares and participations	-	-	-	33,854	6,771	-6,771
Total	161,107	4,833	-4,833	280,273	14,163	-14,163
Total	196,308	11,846	-11,846	280,273	14,163	-14,163

Set off of financial assets and liabilities

Assets	31 December 2018		31 December 2017	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial assets included in general agreements on set off or similar agreements	69,990	-	84,046	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	69,990	-	84,046	-
Amount not set off but included in general agreements on set off or similar	376	-	5,826	-
Collateral assets	64,036	-	76,550	-
Total amount of sums not set off in the balance sheet	64,412	-	82,376	-
Net amount	5,578	-	1,670	-

Liabilities	31 December 2018		31 December 2017	
	Derivatives	Reverse repurchase agreements	Derivatives	Reverse repurchase agreements
Financial liabilities included in general agreements on set off or similar agreements	17,126	98,848	33,559	-
Set off amount	-	-	-	-
Carrying amount in the balance sheet	17,126	98,848	33,559	-
Amount not set off but included in general agreements on set off or similar	376	-	5,826	-
Collateral liabilities	5,380	99,009	12,270	-
Total amount of sums not set off in the balance sheet	5,756	99,009	18,096	-
Net amount	11,370	-161	15,463	-

The table shows financial assets and liabilities that are not set off in the balance sheet, but have potential rights associated with enforceable master set-off arrangements or similar arrangements, such as ISDA Master Agreements, together with related collateral. The net amount shows the exposure in normal business as well as in the event of default or insolvency.

G39 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets 31 December 2018	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Investments for unit-linked investments measured at fair value through income statement	G17	-	-	-	-	757,760	757,760
Equity instruments measured at fair value through income statement	G17	-	-	-	-	136,173	136,173
Interest-bearing securities measured at fair value through income statement	G17	-	513	4,763	3,441	-	8,717
Interest-bearing securities measured at fair value through other comprehensive income	K18	136,220	215,806	868,727	120,175	-	1,340,928
Interest-bearing securities measured at amortised cost	K19	-	15,137	116,354	149,027	27,465	307,982
Loans and other receivables	K20	214,502	392,688	1,829,252	1,350,233	2,342,395	6,129,070
Cash and balances with central banks	G22	289,191	-	-	-	-	289,191
Derivative instruments	G23	1,463	9,531	32,385	1,045	25,565	69,990
Total		641,376	633,162	2,846,719	1,620,480	2,395,425	8,137,162

Liabilities 31 December 2018		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Deposits	G30	4,096,113	84,474	484,510	23	-	4,665,120
Derivative instruments	G23	2,118	2,400	12,607	-	-	17,126
Debt securities issued	G31	130	566,937	1,589,456	15,761	288,048	2,460,332
Subordinated liabilities	G32	23,300	38,481	146,038	-	-	207,819
Other liabilities to credit institutions	G33	1,379	9,138	35,069	-	-	45,586
Total		4,123,040	701,430	2,267,680	15,785	288,048	7,395,983

Assets 31 December 2017		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Investments for unit-linked investments measured at fair value through income statement	G17	-	-	-	-	802,575	802,575
Equity instruments measured at fair value through other comprehensive income	K18	-	-	-	-	128,159	128,159
Interest-bearing securities measured at fair value through other comprehensive income	K18	146,240	266,992	1,068,970	275,512	39,485	1,797,199
Interest-bearing securities measured at amortised cost	K19	98,792	30,144	45,245	193,618	-	367,800
Loans and other receivables	K20	174,060	421,642	1,624,092	1,634,966	2,033,913	5,888,674
Cash and balances with central banks	G22	282,477	-	-	-	-	282,477
Derivative instruments	G23	2,104	8,951	35,666	7,844	29,481	84,046
Total		703,673	727,729	2,773,974	2,111,940	3,033,613	9,350,929

Liabilities 31 December 2017		Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Deposits	G30	4,322,199	72,126	418,639	-	-	4,812,963
Derivative instruments	G23	2,949	7,157	17,099	6,354	-	33,559
Debt securities issued	G31	130	739,560	1,403,324	16,145	291,589	2,450,748
Subordinated liabilities	G32	6,361	21,021	207,819	-	-	235,200
Other liabilities to credit institutions	G33	1,379	13,080	40,069	5,517	-	60,045
Total		4,333,017	852,943	2,086,950	28,016	291,589	7,592,516

G40 Collateral assets and liabilities	2018	2017
Collateral assets		
Collateral for own liabilities		
Securities	529,075	575,159
Outstanding loans constituting security for covered bonds	2,264,039	2,110,366
Total	2,793,114	2,685,525
Other collateral assets		
Pledged securities ¹	121,700	146,656
Cash included in pledging agreements and repurchase agreements	5,380	12,270
Total	127,080	158,926
Total collateral assets	2,920,194	2,844,450
Collateral above refers to the following liabilities		
Liabilities to credit institutions ²	516,848	569,185
Issued covered bonds ³	1,666,422	1,668,567
Derivatives	5,380	12,270
Total	2,188,650	2,250,023
<p>1) Refers to securities pledged for the intra day limit. As at 31 December 2018, a surplus of pledged securities amounted to EUR 5 (21) million.</p> <p>2) Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.</p> <p>3) Own repurchases deducted.</p>		
Collateral liabilities		
Cash included in pledging agreements ¹	64,036	76,550
Total	64,036	76,550
<p>1) Refers to derivative agreements where collaterals were received from the counterparty in accordance with ISDA/CSA agreements.</p>		

G41 Off-balance sheet commitments	2018	2017
Guarantees	31,255	31,704
Other commitments provided to a third party	3,573	7,325
Unused credit arrangements	456,724	505,190
Other irrevocable commitments	27,239	8,806
Total	518,792	553,025

Off-balance sheet commitments, exclude rental commitments.

31 December 2018	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Guarantees	25,572	4,202	74	77	1,330	31,255
Other commitments provided to a third party	2,342	889	329	12	-	3,573
Unused credit arrangements	110,441	64,897	141,546	150	139,690	456,724
Other irrevocable commitments	9,437	72	17,731	-	-	27,239
Total	147,793	70,060	159,680	239	141,020	518,792
31 December 2017	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Guarantees	4,428	2,819	20,714	-	3,743	31,704
Other commitments provided to a third party	-	200	7,125	-	-	7,325
Unused credit arrangements	149,681	52,710	166,706	-	136,094	505,190
Other irrevocable commitments	-	134	225	168	8,279	8,806
Total	154,109	55,863	194,769	168	148,116	553,025

G42 Rent commitments	2018	2017
Less than 1 year	6 625	6 925
1-5 years	3 964	5 160
More than 5 years	17	108
Total	10 607	12 192

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Materiality principle has been adopted and only significant rent commitments are considered.

G43 Subsidiaries included in consolidated accounts

	2018		2017	
	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes
Financing				
Aktia Corporate Finance Ltd, Helsinki	100 %	100 %	100 %	100 %
Aktia Finance Ltd, Helsinki	100 %	100 %	100 %	100 %
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100 %	100 %	100 %	100 %
Securities companies				
Aktia Asset Management Ltd, Helsinki	76 %	76 %	76 %	76 %
Real estate agency operations				
Aktia Kiinteistöväilytys Oy, Turku	19 %	19 %	100 %	100 %
Insurance companies				
Aktia Life Insurance Ltd, Turku	100 %	100 %	100 %	100 %
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	-	-	100 %	100 %
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	-	-	100 %	100 %
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100 %	100 %	100 %	100 %
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100 %	100 %	100 %	100 %
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50 %	50 %	50 %	50 %
Asunto Oy Helsingin Tuulensuoja, Helsinki	50 %	50 %	-	-
Kiinteistö Oy Skanssinkatu, Turku	50 %	50 %	50 %	50 %
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50 %	50 %	50 %	50 %
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33 %	33 %	33 %	33 %
Kiinteistö Oy Lahden BW Tower, Helsinki	33 %	33 %	33 %	33 %
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33 %	33 %	33 %	33 %

Subsidiaries that have material non-controlling interests

	Segment	2018		2017	
		Non-controlling interests' share of shares	Non-controlling interests' share of votes	Non-controlling interests' share of shares	Non-controlling interests' share of votes
Aktia Asset Management Ltd	Wealth Management	24 %	24 %	24 %	24 %

Non-controlling holdings in subsidiaries are subject to restrictions concerning transfer of the shares.

Summarised financial information (before inter-company eliminations)	Aktia Asset Management Ltd	
	2018	2017
Profit for the year	10,228	7,543
attributable to non-controlling interest	2,447	1,805
Total comprehensive income for the year	10,228	7,543
attributable to non-controlling interest	2,447	1,805
Assets	18,402	15,700
Liabilities	5,485	5,811
Net assets	12,917	9,889
attributable to non-controlling interest	3,090	2,366
Cash flow from operating activities	7,899	7,795
Cash flow from investing activities	-	-2
Cash flow from financing activities	-7,231	-4,538
Net change in cash and cash equivalents	668	3,254
Dividens paid to non-controlling interest	1,730	1,086

See note P46 for transactions with subsidiaries.

G44 Related-party transactions

Related parties include shareholders with significant influence and key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling influence. The Aktia Group's key persons are the members of the Board of Supervisors and the Board of Directors of Aktia Bank plc, the Managing Director, the Managing Director's alternate and other members of the Executive Committee.

Management personnel compensation

2018	Salary, remunerations and other fringe benefits *	Result-based salary **	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Mikko Ayub, Managing Director from 1 October 2018	78	-	-	78	14	4
Juha Hammarén, Acting CEO 7 March - 30 September 2018, Deputy Managing Director	278	17	150	445	52	41
Martin Backman, Managing Director until 7 March 2018	282	-	95	376	49	-
Executive Committee excl. Managing Director and Deputy Managing Director ¹	1,875	149	767	2,790	355	303
Total	2,513	166	1,011	3,690	469	348

2017	Salary, remunerations and other fringe benefits *	Result-based salary **	Share-based payment	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Martin Backman, Managing Director from 6 March 2017	257	-	93	350	45	38
Jussi Laitinen, Managing Director until 3 March 2017	46	17	241	304	11	55
Juha Hammarén, Deputy Managing Director	246	26	18	290	48	35
Taru Narvanmaa, Deputy Managing Director until 5 May 2017	89	20	169	277	19	59
Executive Committee excl. Managing Director and Deputy Managing Director ¹	1,140	100	114	1,353	218	167
Total	1,777	162	635	2,574	342	353

*) Including salaries and other fringe benefits such as car and phone (fixed compensation)

**) Payments in accordance with the long-term incentive programme for executive management during the financial year (variable compensation)

Compensation to Members of the Board of Directors ²	2018			2017		
	Annual remuneration and remuneration per meeting	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)	Annual remuneration and remuneration per meeting	Statutory pension costs	Cost for voluntary supplementary pension (IFRS)
Lasse Svens, Chairman from 10 April 2018, Vice Chair until 9 April 2018	86	15	-	56	10	-
Dag Wallgren, Chairman until 9 April 2018	25	4	-	84	15	-
Arja Talma, Vice Chair from 10 April 2018	55	10	-	44	8	-
Christina Dahlblom	44	8	-	37	6	-
Stefan Damlin	43	8	-	40	7	-
Maria Jerhamre Engström	32	6	-	-	-	-
Johannes Schulman	33	6	-	-	-	-
Catharina von Stackelberg-Hammarén	45	8	-	38	7	-
Sten Eklundh	18	3	-	49	8	-
Kjell Hedman	13	2	-	39	7	-
Total	392	69	-	386	67	-
Total compensation to Members of the Board of Supervisors ³	-	-	-	204	-	-
Total management personnel compensation	3,690	469	348	2,574	342	353
Total compensation to Members of the Board of Directors	392	69	-	386	67	-
Total compensation to Members of the Board of Supervisors	-	-	-	204	-	-
Total compensation to Management personnel, the Board of Directors and the Board of Supervisors	4,082	538	348	3,163	408	353

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Vice Managing Director Anssi Rantala, Director Irma Gillberg-Hjelt, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen, Vice Managing Director Merja Sergelius and Director Sam Olin.

The notice of dismissal for the Managing Director is from the employer's side 15 months, and for the other members of the executive committee the notice of dismissal is 12 months. Members of the executive committee follow statutory pension age.

2) 40 % (40 %) of the Board of Directors' annual remuneration was paid in the form of Aktia shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the proposal by the Board of Directors, the Extraordinary General Meeting of Aktia Bank plc on 21 September 2017 took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors. In 2017 the members of the Board of Supervisors acquired Aktia A shares corresponding 40 % of their annual remuneration from the Stock Exchange at market price in accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2017.

Shareholding

At the end of 2018, the Group's key personnel held a total of 113,009 (162,988) Aktia shares in Aktia Bank plc, which represents 0.2 (0.2) % of the total number of shares.

Related-party transactions	2018		2017	
	Associated companies	Other related-party	Associated companies	Other related-party
Credits and guarantees	-	3,439	-	15,328
Deposits	6	1,959	572	6,077
Liabilities	5	-	-	-
Services bought	1,844	50	7,745	162

Lending to close relations is on the normal customer conditions, with the normal evaluation of the debtor risk and with the same security requirement and with the same requirement on return as applies to the bank's customers in general.

G45 Defined benefit pension plans

In addition to statutory pensions, Aktia has defined-benefit pension plans for members of the Executive Committee and some key persons in management as well as for employees who were members of Savings Banks' Pension Fund (Sparbankernas Pensionskassa) when the pensions fund was closed down 31 December 1993. The retirement age of members of the Executive Committee and key persons in management is 63. On reaching retirement age, they receive a pension of 60 % of the pensionable salary.

Assets in the insurance plan show the insurance company's liability of the obligation, and they are calculated by using the same discount rate as for the obligation. The insurance plan is regulated by local laws and other legal rules. Thus the company's liability only includes the effect of changes on the discount rate and salary increases on the net liability. The insurance company carries the total risk of pension increases.

The assets comprise 100 % qualifying insurance policies.

During 2018, 13 (2017; 19) members have left the programme.

	2018	2017
Current service cost	-145	-451
Net interest income	-8	-35
Expense recognised in income statement	-154	-487
Remeasurements in total comprehensive income	16	2,616
Total comprehensive income before taxes	-138	2,130
Present value of obligation 1 January	3,320	7,700
Current service cost	145	451
Interest expenses	55	99
Actuarial gains (-) / losses (+) from experience adjustments	121	-2,436
Actuarial gains (-) / losses (+) from changes in financial assumptions	-162	-438
Benefits paid	-216	-2,058
Present value of obligation 31 December	3,262	3,320
Fair value of plan assets 1 January	2,711	4,768
Interest income	46	64
Return on plan assets excluding amount included in interest expenses / income	-26	-257
Benefits paid	-216	-2,058
Contributions by employer	214	193
Fair value of plan assets 31 December	2,730	2,711
Present value of obligation	3,262	3,320
Fair value of plan assets	-2,730	-2,711
Liability recognised in balance sheet 31 December	533	609
Liability recognised in balance sheet 1 January	609	2 932
Expenses recognised in income statement	154	487
Contributions by employer	-214	-193
Additional expense (+) to local GAAP	-61	293
Remeasurements in comprehensive income	-16	-2 616
Liability recognised in balance sheet 31 December	533	609
Actuarial assumptions		
Discount rate, %	1,9 %	1,7 %
Rate of salary increase, %	2,7 %	2,8 %
Rate of benefit increase, %	0,0 %	0,0 %
Sensitivity analysis - net liability		
The following table show how the changes in assumptions used affect the net liability (EUR)		
Discount rate 1.9 % (1.7 %)	533	609
Change in discount rate +0.50 %	-79	-96
Change in discount rate -0.50 %	91	111
Salary increase 2.7 % (2.8 %)	533	609
Change in salary increase +0.50 %	91	108
Change in salary increase -0.50 %	-88	-104

The duration is 19 years according to the weighted average of the obligation.

The Group is expected to pay approximately EUR 0.2 million contributions to the defined benefit plans during 2019.

G46 Share-based incentive scheme

AktiaUNA

The share savings plan will be offered to approximately 800 Aktia employees, who will be offered an opportunity to save 2–4 % of their salaries (the members of the Group's Executive Committee up to 7 %) and regularly acquire the company's shares at a 10 % reduced price. Furthermore, the participants are motivated by granting them free matching shares against shares acquired in the share savings plan after approximately two years. The total savings amount and thus the value of the matching shares to be paid based on the savings period 2018–2019 to the participants amounts to a maximum total of EUR 1,800,000 upon the launch of the plan, corresponding to the value of 195,000 Aktia shares. This programme replaces Aktia's Personnel Fund. At the end of the year 57 % of Aktia's personnel participated in the share savings plan AktiaUna.

The estimated total savings for the second half of the savings period 2018–2019 (October 2018–March 2019) amounts up to a maximum total of approximately EUR 562,000. The final number of matching shares to be paid under savings period 2018–2019 depends on the number of participants and shares acquired in the plan by the employees.

Within the scope of the above mentioned AktiaUna savings plan, approximately 60 key employees, including the CEO and the members of the Group's Executive Committee, have been offered a possibility to participate in a performance-based share savings plan. This part of the programme replaces the previous Executive Committee's share-based incentive scheme. The performance criteria of the performance period 2018–2019 are the Aktia Group's comparable operating profit and net commission income during the performance period. The value of the reward for the performance period 2018–2019 amounts up to a maximum total of EUR 2,600,000 upon the launch of the plan, corresponding to the value of 280,000 Aktia shares.

The figures in the Changes during the period 2018 table are based on shares acquired with savings from April 2018 to September 2018. The estimated value of the reward payable on the basis of the second half of the AktiaUna savings period 2018–2019 (October 2018–March 2019) amounts up to a maximum total of EUR 1,100,000, including also the proportion to be paid in cash. The final cost of the plan depends on the number of shares that the key employees acquire in the AktiaUna Share Plan, as well as on the achievement of the targets of the performance criteria of the performance period. The performance criteria of the performance period 2018–2019 (January 2018–December 2019) are the Aktia Group's comparable operating profit and net commission income during the performance period.

The potential rewards from the plan will be paid to the key employees in four instalments in 2020, 2021, 2022 and 2023. The reward shares are subject to a 12-month retention period, during which the shares may not be transferred. After the retention period, the terms and conditions of the plan restrict the transfer of the reward shares of the members of the Group's Executive Committee until they own a certain number of Aktia Bank Plc shares. As a rule, no reward will be paid if a key employee's employment or service ends before the reward payment.

The Board of Directors will annually resolve on the launch of a new Aktia employee share savings plan and performance-based plan.

	AktiaUna 2018-2019	PSP 2018-2019	Total
Estimated maximum gross shares upon the launch of the plan, pcs	195 000	280 000	475 000
Initial allocation date	1 Apr 2018	1 Apr 2018	
Performance period begin		1 Jan 2018	
Performance period end		31 Dec 2019	
Vesting date	31 May 2020	31 May 2020	
		31 May 2021	
		31 May 2022	
		31 May 2023	
		Share ownership, Aktia Group's comparable operating profit and net commission income during the performance period,	
Vesting conditions	Share ownership, employment	employment	
Maximum contractual life, years	2.2	5.2	
Remaining contractual life, years	1.4	4.4	
Number of persons at the end of the reporting year	493	49	
Payment method	Cash & equity	Cash & equity	
Changed during the reporting period 2018	AktiaUna 2018-2019*	PSP 2018-2019*	Total
1 January 2018			
Outstanding at the beginning of the reporting period, pcs	-	-	-
Changes during the reporting period			
Granted during the reporting period	65,132	111,804	176,936
Forfeited during the reporting period	1,480	-	1,480
31 December 2018			
Outstanding at the end of the reporting period	63,652	111,804	175,456

* Figures based on shares acquired with savings from April 2018 to September 2018. The savings period 2018-2019 continues until March 2019.

Valuation parameters	AktiaUna 2018-2019	PSP 2018-2019
Share price at share purchase date, EUR	8.63	8.63
Share price at reporting period end, EUR	9.00	9.00
Maturity, years	1.60	2.40
Expected dividends, EUR	1.31	1.85
Fair value of one share, EUR	7.32	6.78

Impact of share-based payments on the company's result and financial position

Accounting period expenses from share-based payments in the income statement	729
of which shareholder-controlled	729
Liabilities arising from share-based payments 31 December 2018	-
Future cash payment to be paid to the tax authorities from share-based payments, estimated at the end of the period	1,650

PREVIOUS SHARE-BASED REWARD SCHEMES AND OWNERSHIP SCHEMES

Share-based reward scheme

The Managing Director, other members of the Executive Committee as well as certain key persons are included in a share-based incentive scheme (share-based reward scheme). The incentive scheme has been prepared in accordance with regulations concerning remuneration schemes in the financial sector, and the reward will be paid partly as Aktia shares in Aktia Bank plc and partly in cash. The proportion to be paid in cash is intended for taxes and tax-related costs arising from the reward to a key person.

The maximum reward paid out through current share-based reward schemes (earning periods 2016–2017, 2017–2018) may amount to a maximum of 29,878 A Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares. The number of shares deferred from earlier earning periods 2014–2015 and 2015–2016 may amount to a maximum of 15,341 Aktia shares in Aktia Bank plc.

Key persons are obliged to hold half of all shares received through the incentive scheme until the total value of the shares amounts to the value of their gross annual salary. They must retain their shares as long as they are employed in the Group.

The potential reward for each earning period will be paid out in four instalments after each earning period. The reward is paid in the form of shares and in cash. The Board of Directors has stipulated a maximum level of reward per key person. In general, the reward is not paid to a key person who is no longer employed by the Aktia Group at the time of payment of rewards.

The earning period 2014 - 2015	2018	2017	2016	2015	2014
Basic information					
Max. number of shares	9 928	19 862	29 790	112 500	112 500
Sum in cash corresponding max. number of shares	9 928	19 862	29 790	112 500	112 500
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014
Earning period ends	31 Dec 2015	31 Dec 2015	31 Dec 2015	31 Dec 2015	31 Dec 2015
Number of persons on the decision date	4	5	13	13	13
Rate of Aktia share on the decision date, EUR	8.35	8.35	8.35	8.35	8.35
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	9.77
The earning period 2015 - 2016	2018	2017	2016	2015	2014
Basic information					
Max. number of shares	5,413	7,511	120,000	120,000	-
Sum in cash corresponding max. number of shares	5,413	7,511	120,000	120,000	-
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	-
Earning period starts	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015	-
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	-
Number of persons on the decision date	7	7	15	16	-
Rate of Aktia share on the decision date, EUR	9.46	9.46	9.46	9.46	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	-
The earning period 2016 - 2017	2018	2017	2016	2015	2014
Basic information					
Max. number of shares	2,347	84,000	101,500	-	-
Sum in cash corresponding max. number of shares	2,347	84,000	101,500	-	-
Decision date	16 Dec 2015	16 Dec 2015	16 Dec 2015	-	-
Earning period starts	1 Jan 2016	1 Jan 2016	1 Jan 2016	-	-
Earning period ends	31 Dec 2017	31 Dec 2017	31 Dec 2017	-	-
Number of persons on the decision date	7	7	14	-	-
Rate of Aktia share on the decision date, EUR	10.07	10.07	10.07	-	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	-	-
The earning period 2017 - 2018	2018	2017	2016	2015	2014
Basic information					
Max. number of shares	27,531	120,000	-	-	-
Sum in cash corresponding max. number of shares	27,531	120,000	-	-	-
Decision date	15 Feb 2017	15 Feb 2017	-	-	-
Earning period starts	1.10.2017	1.10.2017	-	-	-
Earning period ends	31 Mar 2018	31 Mar 2018	-	-	-
Number of persons on the decision date	9	10	-	-	-
Rate of Aktia share on the decision date, EUR	9.66	9.66	-	-	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	-	-	-

Share ownership scheme

In addition to the share-based incentive schemes some key persons are enabled to also receive a conditional reward based on the acquisition of Aktia shares when the incentive scheme is implemented. The conditional reward will be paid to key persons after the earning period, and will take the form of both cash and shares, provided that the key person is still employed by the Aktia Group and that the shares earmarked for payment of the conditional reward have not been transferred at the time of payment of rewards. The total reward paid out through the Share Ownership Scheme (MRS) may amount to a maximum of 54,998 Aktia shares in Aktia Bank plc, as well as a sum in cash corresponding to the value of the shares.

Share ownership scheme 2014	2018	2017	2016	2015	2014
Basic information					
Max. number of shares	5,600	8,400	69,000	69,000	69,000
Sum in cash corresponding max. number of shares	5,600	8,400	69,000	69,000	69,000
Decision date	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014	28 Jan 2014
Earning period starts	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014	1 Jan 2014
Earning period ends	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Number of persons on the decision date	3	3	23	23	22
Rate of Aktia share on the decision date, EUR	8.35	8.35	8.35	8.35	8.35
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	9.77
Share ownership scheme 2015					
Basic information					
Max. number of shares	8,400	39,000	45,000	45,000	-
Sum in cash corresponding max. number of shares	8,400	39,000	45,000	45,000	-
Decision date	18 Dec 2014	18 Dec 2014	18 Dec 2014	18 Dec 2014	-
Earning period starts	1 Jan 2015	1 Jan 2015	1 Jan 2015	1 Jan 2015	-
Earning period ends	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	-
Number of persons on the decision date	6	13	14	14	-
Rate of Aktia share on the decision date, EUR	9.46	9.46	9.46	9.46	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	10.31	-
Share ownership scheme 2016					
Basic information					
Max. number of shares	21,000	21,000	27,000	-	-
Sum in cash corresponding max. number of shares	21,000	21,000	27,000	-	-
Decision date	16 Dec 2015	16 Dec 2015	16 Dec 2015	-	-
Earning period starts	1 Jan 2016	1 Jan 2016	1 Jan 2016	-	-
Earning period ends	31 Dec 2018	31 Dec 2018	31 Dec 2018	-	-
Number of persons on the decision date	7	7	7	-	-
Rate of Aktia share on the decision date, EUR	10.07	10.07	10.07	-	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	9.73	-	-
Share ownership scheme 2017					
Basic information					
Max. number of shares	19,998	40,000	-	-	-
Sum in cash corresponding max. number of shares	19,998	40,000	-	-	-
Decision date	24 Aug 2017	24 Aug 2017	-	-	-
Earning period starts	1 Jan 2017	1 Jan 2017	-	-	-
Earning period ends	31 Dec 2018	31 Dec 2018	-	-	-
Number of persons on the decision date	3	4	-	-	-
Rate of Aktia share on the decision date, EUR	9.27	9.27	-	-	-
Rate of Aktia share at the end of the accounting period, EUR	8.92	9.11	-	-	-
Impact of share-based payments on the company's result and financial position					
Accounting period expenses from share-based payments in the income statement					
	2018	2017	2016	2015	2014
Accounting period expenses from share-based payments in the income statement	1,104	1,102	1,558	2,642	2,544
of which recorded as liability 31 December	1,280	1,650	2,497	3,166	2,936
of which recorded as fund for share-based payments 31 December	807	1,499	1,957	2,143	1,858

G47 Customer assets being managed

	2018	2017
<p>Aktia Bank plc offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers. Aktia Asset Management Ltd offers institutions discretionary asset management services.</p>		
Customer assets being managed		
Funds in a customer funds account	364	167
Funds in discretionary asset management services	7,252,113	6,285,964
Funds within the framework of investment advising according to a separate agreement	5,419,252	6,456,364
Total	12,671,729	12,742,495
PS savings		
<p>The pension saving comprises bank account, investments in mutual funds, bonds and shares.</p>		
Customer assets within PS savings		
PS Savings account	70	69
PS Deposit	62	60
Total	132	128
Customers' PS investments		
Investments in mutual funds	6,482	6,421
Shares	265	243
Total	6,747	6,664

G48 Events after the end of the year

Aktia Bank Plc has on 15 Januari 2019 divested 34,156 Aktia treasury shares held by the company for payment of deferred instalments for the share-based reward scheme earning periods 2014–2015, 2015–2016, 2016–2017 and 2017–2018 and the share ownership scheme to 29 persons included in the share-based incentive scheme.

Since the other owners of Samlink have now chosen a new core banking solution, it is in accordance with Aktia's strategy to divest all shares in the company together with the other owners of Samlink. On 23 January 2019 Aktia Bank Plc has entered into an agreement to divest its holdings (22.56 %) in Oy Samlink Ab to Cognizant Technology Solutions Finland Ltd. The transaction will generate approximately an EUR 8 million sales gain, which affects the Group's reported operating profit for 2019. The transaction does not have effect on the Group's comparable operating profit. The transaction is planned to be carried out on 1 April 2019.

Aktia Corporate Finance Ltd merged with Aktia Bank Abp 1 February 2019.

Aktia Bank Plc - parent company's financial statements

Aktia Bank Plc - Income statement

(EUR 1,000)	Note	2018	2017
Interest income		83,019	89,758
Interest expenses		1,696	-1,582
Net interest income	P2	84,715	88,176
Income from equity instruments	P3	11,078	9,263
Commission income		73,983	70,379
Commission expenses		-7,367	-5,757
Net commission income	P4	66,615	64,622
Net income from securities and currency trading	P5	5,387	335
Net income from financial assets measured at fair value through fund at fair value	P6	207	514
Net income from hedge accounting	P7	-375	-255
Net income from investment properties	P8	-33	-
Other operating income	P9	3,817	6,028
Staff costs	P10	-51,106	-60,461
Other administrative expenses	P11	-39,461	-45,092
Total administrative expenses		-90,567	-105,553
Depreciation of tangible and intangible assets	P12	-11,854	-8,189
Other operating expenses	P13	-20,051	-18,077
Impairment of tangible and intangible assets	P21, P22	-	-534
Expected credit losses from financial assets reported at amortised cost		-840	-519
Expected credit losses and impairment from other financial assets		-189	-
Operating profit		47,909	35,811
Appropriations		-9,500	-3,150
Taxes	P14	-2,913	-3,346
Profit for the reporting period		35,496	29,314

Aktia Bank Plc – Balance sheet

(EUR 1,000)	Note	2018	2017
Assets			
Cash and balances with central banks		289,191	282,476
Bonds eligible for refinancing with central banks	P15	1,356,188	1,788,617
Claims on credit institutions	P16	20,227	46,137
Receivables from the public and public sector entities	P17	6,096,955	5,827,805
Other bonds	P15	-	10,003
Shares and participations	P19	63,493	76,307
Derivative instruments	P20	69,906	83,924
Intangible assets	P21	62,001	60,803
Investment properties		-	78
Other tangible assets		1,640	2,419
Tangible assets	P22	1,640	2,497
Other assets	P23	73,627	24,448
Accrued income and advance payments	P24	25,558	31,799
Deferred tax receivables	P25	2,204	2,538
Total assets		8,060,990	8,237,356
Liabilities			
Liabilities to credit institutions	P26	648,166	754,464
Borrowing		4,038,722	4,171,983
Other liabilities		100,000	-
Liabilities to the public and public sector entities	P27	4,138,722	4,171,983
Debt securities issued to the public	P28	2,459,699	2,449,596
Derivatives and other liabilities held for trading	P20	16,420	33,015
Other liabilities	P29	15,530	19,915
Accrued expenses and income received in advance	P30	39,802	45,289
Subordinated liabilities	P31	207,819	235,200
Deferred tax liabilities	P32	1,168	2,218
Total liabilities		7,527,325	7,711,680
Accumulated appropriations		215,000	205,500
Equity			
Share capital		163,000	163,000
Fund at fair value		4,010	8,870
Restricted equity		167,010	171,870
Unrestricted equity reserve		108,935	108,400
Retained earnings		39,905	51,444
Dividend to shareholders		-37,833	-39,908
Change in share-based payments		3,935	-458
Acquisition of treasury shares		1,217	-487
Profit for the year		35,496	29,314
Unrestricted equity		151,655	148,305
Total equity	P33	318,665	320,176
Total liabilities and equity		8,060,990	8,237,356

Aktia Bank Plc - off-balance-sheet commitments for the parent company

(EUR 1,000)	Note	2018	2017
Off-balance sheet commitments	P38		
Guarantees and pledges		31,255	31,704
Other		3,573	7,325
Commitments provided to a third party on behalf of the customers		34,828	39,029
Unused credit arrangements		468,257	505,663
Irrevocable commitments provided on behalf of customers		468,257	505,663
Total		503,085	544,691

Aktia Bank Plc - Cash flow statement

(EUR 1,000)	2018	2017
Cash flow from operating activities		
Operating profit	47,909	35,811
Adjustment items not included in cash flow for the period	6,574	-6,124
Paid income taxes	-26	-243
Increase (-) or decrease (+) in receivables from operating activities	133,228	-204,759
Debt securities measured at fair value through other comprehensive income	308,949	-131,623
Debt securities measured at amortised cost, increase	-	-147,339
Debt securities measured at amortised cost, decrease	128,700	222,000
Claims on credit institutions	6,890	16,120
Receivables from the public and public sector entities	-277,066	-164,680
Shares and participations measured at fair value through income statement	5,742	-1,025
Other assets	-39,987	1,789
Increase (+) or decrease (-) in liabilities from operating activities	-130,437	162,191
Liabilities to credit institutions	-106,298	213,817
Liabilities to the public and public sector entities	-26,062	-22,597
Debt securities issued to the public	14,391	-10,842
Other liabilities	-12,468	-18,188
Total cash flow from operating activities	57,248	-13,124
Cash flow from investing activities		
Equity returns	5,864	-
Investments in group companies, associated companies and joint ventures	-175	-
Proceeds from sale of group companies and associated companies	972	-
Investments in tangible and intangible assets	-12,272	-13,923
Proceeds from sale of tangible and intangible assets	78	24
Total cash flow from investing activities	-5,534	-13,900
Cash flow from financing activities		
Subordinated liabilities, increase	-	18,389
Subordinated liabilities, decrease	-27,381	-26,784
Acquisition of treasury shares	-	-1,703
Divestment of treasury shares	1,195	1,300
Paid dividends	-37,833	-39,908
Total cash flow from financing activities	-64,019	-48,706

	2018	2017
Change in cash and cash equivalents	-12,305	-75,730
Cash and cash equivalents at the beginning of the year	316,343	391,873
Cash and cash equivalents at the end of the year	304,038	316,343
Cash and equivalents transferred in connection with merger	-	200
Cash and cash equivalents in the cash flow statement consist of the following items:		
Cash in hand	4,418	4,753
Bank of Finland current account	284,773	277,723
Repayable on demand claims on credit institutions	14,847	33,867
Total	304,038	316,343
Adjustment items not included in cash flow consist of:		
Impairment (ECL) of financial assets measured at fair value through other comprehensive income	189	966
Impairment (ECL) of credits and other commitments	840	519
Unrealised changes in value of shares and participations	260	-
Change in fair values	4,577	5,112
Depreciation and impairment of intangible and tangible assets	11,854	8,723
Sales gains and losses from tangible and intangible assets	152	-
Unwound fair value hedging	-10,328	-14,400
Change in provisions	-	-1,406
Change in share-based payments	-970	-1,305
Other adjustments	-	-4,333
Total	6,574	-6,124

P1 The parent company's accounting principles

The parent company Aktia Bank Plc's financial statement is prepared in compliance with Finnish accounting standard (FAS), the statutes of the Finnish Accounting Act and the Credit Institutions Act, the ordinance issued by the Ministry of Finance on financial statements, consolidated financial statements and reports by the board of directors for credit institutions as well as Regulations and guidelines 2/2016, Accounting, financial statements and report by the board of directors issued by the Financial Supervisory Authority.

Information about business segments in the parent company is not relevant. The Group's segment reporting is presented in note G3.

Aktia Bank Plc, domiciled in Helsinki, is the parent company of the Aktia Bank Plc Group. Aktia Bank Plc's financial statements and interim reports are available on Aktia's website www.aktia.com.

Foreign currency translation

The functional currency of the parent company is Euro, and it is also the currency used in the parent company's and the Group's reporting. Functional currency is the currency used in the economic environment where the company operates. Transactions in foreign currency are converted into the functional currency using the exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency using the exchange rate on the balance date. Assets and liabilities denominated in foreign currencies outside the Euro zone have been converted into euros using the European Central Bank's average rate of exchange on the day the accounts were closed. The exchange rate differences that have arisen on valuation have been reported in the income statement as Net income from currency trading.

Revenue and expenses recognition

Interest and dividend

Interest income and expenses are accrued according to the lifetime of the agreement by using the effective interest rate method. This method recognises income and expenses from the instrument evenly in proportion to amounts outstanding over the period until maturity. Interest income and expenses attributable to Financial assets held for trading are reported in the income statement as Net income from securities and currency trading.

When a financial asset is impaired due to a reduction in value, the original effective interest rate is used when calculating interest income.

Dividends paid on shares and participations are reported as income for the reporting period during which the right to receive payment is noted.

Commissions

Commission income and expenses are reported in accordance with the accruals convention.

Other income and expenses

Income from derivatives for hedge accounting issued to savings banks and local co-operative banks are entered directly.

Depreciation

Tangible and intangible assets are subject to linear planned depreciation, according to the financial lifetime of the assets. As a rule, the residual value of these tangible and intangible assets is assumed to be zero. There is no depreciation of land areas. The estimated financial lifetimes for each asset category are as follows:

Buildings	40 years
Basic repairs to buildings	5-10 years
Other tangible assets	3-5 years
Intangible assets (IT acquisitions)	3-10 years

Taxes

Taxes in the income statement consist of direct and deferred taxes for the year and previous years. The tax cost is reported in the income statement, except where this relates to items which are reported directly against shareholders' equity, where the tax effect is reported as part of shareholders' equity. Income taxes are reported on the basis of estimated taxable income for the year. Deferred tax is entered in relation to differences between the book value of assets and liabilities, compared with their taxation value. A deferred tax asset is reported where it is likely that future taxable income will arise against which the temporary difference can be used.

Financial assets and liabilities

From 1 January 2018, Aktia is applying IFRS 9 where financial assets are reported in three valuation categories. Classification and measurement of financial assets is based on the business model on which the instrument is managed and the instrument's properties in respect of the contractual cash flows.

Classification of financial assets

The Group classifies financial assets in the following categories:

- Reported at amortised cost (AC)
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through the income statement (FVTPL)

The category **Financial assets reported at amortised cost** includes:

- interest-bearing securities
- interest-bearing securities
- interest-bearing securities

Financial assets are reported at amortised cost if the asset is managed according to a business model where the instrument is expected to be held until maturity in order to obtain contractual cash flows. The contractual cash flows consist only of the payment of capital and interest on the outstanding capital (SPPI). The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at amortised cost. Impairments are based on a three-stage model for expected credit losses (ECL) and are described under the heading Impairment of financial assets. Interest income, impairments as well as sales gains and losses are recorded in the income statement.

The category **Financial assets measured at fair value through other comprehensive income** includes:

- shares and participations
- interest-bearing securities

Financial assets are measured at fair value through other comprehensive income if:

- the asset is an interest-bearing security (debt instrument) managed according to a business model where the securities are held both in order to obtain contractual cash flows (only concerns the payment of capital and interest on the outstanding capital) and which may be sold if necessary
- the asset is shares and participations (equity instrument) which is not held for trading and is chosen to be classified in this category at the first recognition

The instruments in this category are reported on entering into agreements at fair value (acquisition cost minus attributable transaction costs) and then at fair value through other comprehensive income. Impairment of debt instruments (interest-bearing securities) is based on a three-stage model for expected credit losses (ECL) and are described in more detail under the heading Impairment of financial assets. The ECL is not calculated for shares and participations. Changes in value are reported on an ongoing basis in other comprehensive income with a deduction for deferred tax. Interest income, dividends and impairments are reported in the income statement and the return of capital is reported in other comprehensive income. The counter item to impairments relating to the three-stage model for expected credit

losses is recognised in the fund at fair value (other comprehensive income) and thus does not affect the fair value of the asset in the balance sheet. In connection with the sale of debt securities (debt instruments), the cumulative unrealised profit or loss is transferred from the fund at fair value to the income statement. The decision to classify shares and participations not held for trading in this category at first recognition is irrevocable. The decision lead to that future sales gains and losses on such instruments are reported in other comprehensive income. Only dividend from these instruments are recognised in the income statement.

The category **Financial assets measured at fair value through the income statement** includes:

- derivative instruments
- life insurance investments providing cover for unit-linked agreements
- shares and participations
- interest-bearing securities
- loans and other receivables (included in this category if the SPPI-requirement is not fulfilled)

Financial assets are measured at fair value through the income statement if the asset is a derivative, the asset is held for trading or is a debt instrument that does not meet the requirement for contractual cash flows. Shares and participations are included in this category if held for trading or if the possibility to be classified in the category Financial assets measured at fair value through other comprehensive income at first recognition is not used. Financial assets held for trading are assets acquired for a short time with the intent to earn revenue and where the intention is to actively trade in these instruments. If a financial asset relates to liabilities measured at fair value through the income statement, the company may, on the occasion of first accounting, irrevocably choose also to measure the asset at fair value through the income statement if this reduces or eliminates accounting imbalance. On entering into agreements, the instruments in this category are reported at fair value and then at fair value through the income statement. Transaction costs are recorded in the income statement when they occur. Interest income, dividends, changes in fair value and sales gains and losses are reported on an ongoing basis in the income statement.

Financial liabilities

Liabilities to credit institutions, liabilities to the public and public sector entities, derivative instruments and debt securities to the public are reported in the category Financial liabilities. Derivative instruments are included in the balance sheet at fair value while other financial liabilities are included at their acquisition value on entering into the agreement, and subsequently at their amortised cost. When hedge accounting is applied, the amortised cost of the liabilities is adjusted with the fair value of the hedged risk. If the financial liabilities are related to commitments to acquire equity instruments, the liabilities are reported at fair value through the income statement. In the cash flow statement, issued debts are deemed to belong to the bank's operating activities, while subordinated liabilities are deemed to belong to financing activities.

Reclassification

In connection to acquiring a financial asset, the asset is classified according to one of the three categories of recognition. Latter reclassification of a financial asset can only be done if the business model, according to which the assets are managed, is changed. Latter reclassification can also be done if an instrument no longer meets the criteria needed for entering a certain business model. Financial liabilities are not reclassified.

Reclassification of a financial asset according to the above-mentioned requirements is to be applied going forward from the reclassification day. Previously reported profits and losses (including profits and losses from impairments) are not recalculated retroactively.

Reclassification between different valuation categories are reported as follows:

- From amortised cost to fair value through the income statement: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in the income statement.
- From fair value through the income statement to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. An expected credit loss is reported on the reclassification day according to the rules of the new valuation category and an effective interest rate for the instrument is stipulated.
- From amortised cost to fair value through other comprehensive income: The asset is measured at fair value and the difference between the fair value and the amortised cost is reported as profit or loss in other comprehensive income. The expected credit loss does not change due to reclassification.
- From fair value through other comprehensive income to amortised cost: The fair value of the asset on the reclassification day is its new acquisition value. The cumulative profits and losses which previously were recognised in other comprehensive income is moved from equity and adjusts the book value of the asset. This means that the asset is reported as if it always had been reported at amortised cost. The expected credit loss does not change due to reclassification.
- From fair value through the income statement to fair value through other comprehensive income: The asset is still measured at fair value. From the reclassification day the changes in fair value are recognised through other comprehensive income and an expected credit loss is on the reclassification day to be reported according to the rules of the new valuation category.
- From fair value through other comprehensive income to fair value through the income statement: The asset is still measured at fair value. As of the reclassification day cumulative profits and losses are re-entered, as previously reported in other comprehensive income, from equity to income statement. The effect of the reclassification can be seen in the income statement and in other comprehensive income but the total comprehensive income of the reclassification is zero.

Repurchase agreements

Repurchase agreements relate to agreements where the parties have reached an agreement on selling securities and the subsequent repurchase of corresponding assets at a set price. For repurchase agreements, sold securities are still reported in the balance sheet, and the payment received is reported as a financial liability. Sold securities are also reported as collateral pledged. The payment made for acquired securities is reported as lending to the vendor.

Cash and balances with central banks

Cash and balances with central banks consist of cash, bank balances, a current account held with the Bank of Finland and short-term deposits with a duration of less than three months. Loans to credit institutions repayable on demand are included in Loans and other receivables. Cash and cash equivalents in the cash flow statement include cash and balances with central banks, and loans to credit institutions repayable on demand.

Derivative instruments

All derivative instruments are reported in the balance sheet and are valued at fair value. Derivatives with a positive fair value are reported as assets in Derivative instruments. Derivatives with a negative fair value are reported as liabilities in Derivative instruments. Financial derivatives which are valued at fair value through the income statement are initially valued at fair value, but the transaction costs are reported directly in the income statement and are revalued thereafter at fair value. Changes in fair value, together with realised profits and losses, are reported in the income statement and are included in Net income from financial transactions.

Interest-rate derivatives issued to local banks, which are hedged back-to-back with third parties, are valued at fair value, and the change in fair value is recognised in Net income from financial transactions. The counterparty risk arising in these derivative agreements has been limited via mutual pledging agreements with local banks. Individual security arrangements are made with third parties in accordance with the terms and conditions of ISDA/CSA (Credit Support Annex).

Hedge accounting

In accordance with the Aktia Group's hedge accounting policy, hedge accounting is defined either as fair value hedging or cash flow hedging. Documentation and establishment of the hedging relationship between the hedging instrument, the hedged item, the risk management aim and the strategy, occur when hedging is entered into. When a high negative correlation exists between the hedging instrument's change in value and the change in value of the hedged item or cash flow, the hedging is considered to be effective. The effectiveness of the hedging relationship is continually assessed and evaluated through prospective efficiency testing and measured on a cumulative basis. If the hedging relationship between the derivatives and the hedged items is not a 100 % match, the ineffective part is reported in the income statement. Aktia applies IFRS 9 hedge accounting for all hedge relationships except for portfolio hedging of interest rate risk for which the Group has chosen to use the possibility to continue to apply the rules set out in IAS 39.

Valuation of financial instruments at fair value

The fair value of listed shares and other financial instruments that are traded on an active market is based on the latest listed purchase price. Should the listed price of a financial instrument not represent actual market transactions occurring with regularity, or if listed prices cannot be obtained, the fair value is established with an appropriate valuation technique. The valuation techniques may vary from a simple analysis of discounted cash flows to complex option valuation models. The valuation models have been drawn up so that observable market prices and rates are used as input parameters in the evaluated cases, but unobservable model parameters may also be used.

The fair value for financial instruments has been divided in three levels. The levels are based on quoted market prices available on an active market for the same instrument (level 1), valuation techniques based on observable market data (level 2), and valuation techniques not using observable market data (level 3).

Impairment of financial assets

The Group applies a three-stage model to calculate the expected credit losses (ECL) for the following financial assets that are not measured at fair value through the income statement:

- debt instruments (interest-bearing securities and loans and other receivables) measured at amortised cost
- debt instruments (interest-bearing securities) measured at fair value through other comprehensive income
- loan promises
- financial guarantee contracts

Expected credit loss (ECL) is not calculated for shares and participations.

Financial assets are transferred between the following three stages based on the change in the credit risk from the date of first recognition:

- Stage 1 12 months' ECL
 - Expected credit losses for twelve months are calculated for non-defaulted exposures where the credit risk has not increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 2 ECL for the remaining duration of non-defaulted exposures
 - The expected credit losses for the instrument's remaining duration are calculated for non-defaulted exposures where the credit risk has increased significantly since the date of recognition. The effective interest rate is calculated on the gross book value.
- Stage 3 ECL for the remaining duration of defaulted exposures
 - Stage 3 includes exposures for which one or more events that have a significant negative impact on the future estimated cash flows has occurred. For defaulted assets in stage 3, expected credit losses for the instruments remaining duration are recognised on an ongoing basis, whereas the effective interest rate is calculated on the impaired book value.

At each reporting date, an evaluation is made as to whether a **significant increase in the credit risk** has occurred, by comparing the probability of default at the reporting date with the situation on the date of recognition. The evaluation considers all relevant and available information which can be accessed without excessive cost or effort. This includes qualitative and quantitative and financial information that describes the future. An exposure migrates through the various ECL stages when the credit quality decreases. In a similar way, the exposure migrates back from the ECL for the entire duration to ECL 12 months if the credit quality in future periods is improved and a previous assessment of a substantial increase in credit risk is revised. Exposures whose credit quality has not substantially deteriorated since the date of recognition are considered as low credit risk. For such exposures, a 12 months ECL is calculated. When an asset is no longer recoverable, a credit loss is recognised against the impairment allowance in the balance sheet. A credit loss is recognised when all recovery actions have been completed and the final loss has been established. Any future payments are recognised in the income statement as a reversal of the credit loss.

The **expected credit losses (ECL)** are calculated as an objective probability-weighted estimate of future losses.

The calculation includes:

- Non-impaired or defaulted financial assets at the time of reporting. ECL is calculated as the present value of all estimated defaults over the financial asset's calculated term of maturity or during the following 12 months. The estimated defaults are the difference between the asset's contractual cash flows and the cash flows the Group expects to receive.
- impaired or defaulted financial assets at the time of reporting. ECL is calculated as the difference between the amortised cost and the present value of the financial asset's estimated future cash flows discounted with the effective interest rate.
- loan promises granted but not used. ECL is calculated as the difference between the contractual cash flows in case a credit is used and the cash flow the Group expects to receive.
- financial guarantee contracts. ECL is calculated as the difference between the expected payments and the amount the Group expects to recover.

Calculation of the expected credit losses (ECL): The group has internally developed models for the evaluation of the creditworthiness derived from different sources with historical data. The models are used in the assessment of the probability of default when providing loans and other financial exposures to counterparties and customers. The Group has in advance defined probabilities for counterparty risks regarding the Group's all private and corporate loans and other receivables. For **credits and other receivables**, ECL is calculated on the basis of the exposure's risk parameters PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure At Default). These parameter estimates are derived from the same models used in the IRB solvency calculation, but are based on a so-called "Point-in-Time" calibration reflecting the prevailing or anticipated economic situation at the accounting horizon. For credits in Stage 1, ECL is equal to the product of the PD, LGD and EAD, i.e. 12-month ECL. For credits in Stage 2 and 3, ECL is calculated as the sum of 12-month ECL over the lifetime of the claim, adjusted for the probability that the exposure defaults during a previous period. Lifetime ECL also takes into account the contractual amortisation plan that is reflected in both the EAD and LGD estimate. Lifetime ECL for **interest-bearing securities** is calculated on the basis of the interest certificate's contractual calendar. Lifetime ECL is calculated as LGD multiplied by the sum of all expected and discounted cash flows times the probability of a credit event (PD). PD is calculated separately for each security by allocating an appropriate risk curve and by taking into account the liquidity and tax effects. 12-month ECL is then calculated by scaling down the lifetime ECL with a securities-specific proportionality constant which comprises the credit risk quota during the certificate's lifetime and the credit risk in the coming year.

Significant increase of credit risk

When determining whether a significant increase in credit risk has occurred since the date of recognition, the Group uses both quantitative and qualitative information and analysis. The information and analysis are based on the historical data and expert assessment of the credit risk and also include financial information that describes the future.

For **credits and other receivables** an increase in credit risk is considered to have occurred:

- based on an absolute change in PD for the remaining maturity
- at the latest when a payment is over 30 days delayed or when a customer is covered by mitigating circumstances. These criteria define an absolute baseline for when an increase in credit risk has occurred when there are indications of other qualitative factors that have not been visible in regular quantitative analyses. In such cases the Group can use expert evaluations and relevant historical information

For **interest-bearing securities**, the increase in credit risk is evaluated according to two different criteria. The first criterion for an increase in credit risk is a significant drop in external credit rating. The second criterion is that the value development for the interest-bearing security keeps within its volatility range. Volatility is calculated according to the price development throughout the instrument's lifetime. In addition to the above-mentioned criteria, expert evaluation is used if necessary. The expert evaluation is carried out taking the Groups internal rating into consideration.

Assessment of impairment needs (definition of default)

In the model for calculating expected credit losses (ECL) the Group has defined default as described in the Group's credit regulations and processes when assessing the need for impairment. Default means the counterparty's inability or probable inability according to agreed terms handle all its obligations towards the bank.

A counterparty is considered defaulted if at least one of the following criteria is met:

- A significant loan repayment is delayed 90 days or more
- A significant loan repayment is delayed less than 90 days but at least one of the following criteria are met:
 - the bank has applied for or the counterparty has been declared bankrupt
 - the counterparty is in debt reconstruction
 - according to the bank's assessment it is unlikely that the customer fully can pay its loan obligations to the bank without the bank having to take action, e.g. liquidising possible collateral

Interest-bearing securities are considered defaulted if the financial position of the company, where the investment is made, meets one of the following criteria:

- The company has been declared bankrupt or is de facto insolvent and unable to make payments
- The company has entered into an agreement about business debt restructuring or has applied for protection against its creditors or is undergoing significant restructuring which affects creditors
- The company has missed a payment according to contractual cash flow and has not been corrected within 30 days

In addition to default, interest-bearing securities are checked individually for assessing the need for impairments if the security's rate has dropped under 50 %.

Information describing the future

The Group has established a panel of experts which takes account of various relevant future macro-economic factors to define an objective assumption supporting the ECL calculations. The expert panel consists of the management of the risk and economy function as well as the Group's Chief Economist, amongst others. Relevant regional and sector-specific adjustments are made to capture deviations from general macro-economic scenarios. The adjustments reflect the best assumption on future macro-economic conditions which are not incorporated in the ECL calculations. Macro-economic factors taken into account include, for example, unemployment, interest rate level, inflation, residential and commercial property prices. The methodologies and scenarios for future macro-economic conditions are revised regularly.

For **credits and other receivables (credit portfolio)** the risk parameters are adjusted according to assumptions in the relevant macro scenario in calculation of lifetime ECL. The PD estimate is adjusted based on a macro economic model that takes e.g. developments of unemployment into account. If unemployment is expected to increase, the PD estimate of household credits will increase. The LGD estimate takes the assumed development of house and real estate prices into account. If the market value of the securities decreases in the scenario, this has a positive effect on the LGD estimate, given that the amortisation speed does not exceed the decrease in the market value of the securities.

The ECL calculation for **interest-bearing securities (liquidity and investment portfolio)** uses directly observable market prices and therefore needs no stochastic or constructed estimates. When the models use market information as much as possible, the market's expectation of the future development is implicitly represented in the model.

Tangible and intangible assets

Real estate and participations in real estate corporations have been divided up into commercial properties and investment properties according to how they are used. Commercial properties are properties used by the Company. Investment properties are properties which are held in order to generate rental income and to obtain an increase in the value of capital. If part of the premises is used by the Company, the division has been made according to the square metres reserved for their respective purposes. Both commercial properties and investment properties have been included at their original acquisition value. If the probable assignment value of the properties or participations is essentially or permanently lower than the acquisition price, an impairment is entered as an expense in the income statement. If there is a likely objective indication that there will be a need for an impairment, the value of the asset is examined.

The valuation of the fair value of investment properties is based on statements from independent valuers and the company's own valuation models for future rental payments.

Other tangible and intangible assets are included in the balance sheet at their acquisition price less planned depreciation. Planned depreciation is based on the financial lifetime of the assets.

Provisions

A provision is reported where the bank has an existing legal or informal obligation due to an event which has occurred, and it is likely that the obligation will be realised and the bank can reliably estimate the amount of the obligation. If it is possible to obtain remuneration from a third party for part of the obligation, this remuneration is reported as a separate asset item when it is certain in practice that remuneration will be received. The provisions are assessed each balance sheet date and are adjusted if needed. The provision is valued at the current value of the amount which is expected in order to regulate the obligation.

Equity

Dividend payments to shareholders are reported in shareholders' equity when the annual general meeting decides on the pay-out.

(1 000 euroa)

P2 Net interest income	2018	2017
Interest income		
Claims on credit institutions	3,691	334
Receivables from the public and public sector entities	70,887	68,467
Bonds	9,341	16,970
Derivatives	-909	-
Other interest income	8	3,987
Total	83,019	89,758
of which interest income from financial assets reported at stage 3	266	-
Interest expenses		
Liabilities to credit institutions	-365	-424
Liabilities to the public and public sector entities	-3,452	-4,870
Debt securities issued to the public	-25,925	-31,805
Derivatives and liabilities held for trading	37,092	41,777
Subordinated liabilities	-5,652	-6,265
Other interest expenses	-2	5
Total	1,696	-1,582
Net interest income	84,715	88,176

P3 Income from equity instruments	2018	2017
Group companies	9,533	8,359
Associated companies	1,430	597
Equity instruments measured at fair value through income statement	114	-
Equity instruments available for sales	-	307
Total	11,078	9,263

P4 Net commission income	2018	2017
Commission income		
Lending	9,802	10,381
Borrowing	3,532	1,285
Card- and payment services	24,470	19,936
Mutual funds, asset management and securities brokerage	17,139	19,331
Brokerage of insurance	10,836	10,686
Guarantees and other off-balance sheet commitments	524	632
Other commission income	7,680	8,129
Total	73,983	70,379
Commission expenses		
Money handling	-1,558	-1,372
Card- and payment services	-4,370	-3,154
Securities and investments	-1,399	-1,215
Other commission expenses	-40	-16
Total	-7,367	-5,757
Net commission income	66,615	64,622

P5 Net income from securities and currency trading	2018	2017
Shares and participations		
Capital gains and losses	4,010	-
Valuation gains and losses	-260	1
Total	3,750	1
Derivative instruments		
Capital gains and losses	-130	-244
Valuation gains and losses	-701	-965
Total	-831	-1,209
Total		
Capital gains and losses	3,880	-244
Valuation gains and losses	-961	-964
Net income from securities	2,919	-1,208
Net income from currency trading	2,468	1,543
Net income from securities and currency trading	5,387	335

P6 Net income from financial assets measured at fair value through fund at fair value

	2018	2017
Interest-bearing securities		
Capital gains and losses	-200	27
Transferred to income statement from fund at fair value	407	87
Total	207	114
Shares and participations		
Capital gains and losses	-	1,971
Transferred to income statement from fund at fair value	-	-605
Impairments	-	-966
Total	-	400
Total		
Capital gains and losses	-200	1,999
Transferred to income statement from fund at fair value	407	-518
Impairments	-	-966
Total	207	514

P7 Net income from hedge accounting

	2018	2017
Ineffective share of cash flow hedging	-	-
Fair value hedging		
Financial derivatives hedging repayable on demand liabilities	3,112	-1,525
Financial derivatives hedging issued bonds	-3,674	-15,429
Changes in fair value of hedge instrument, net	-561	-16,954
Repayable on demand liabilities	-3,130	1,469
Bonds issued	3,316	15,229
Changes in fair value of items hedged, net	186	16,698
Total	-375	-255
Total hedge accounting	-375	-255

P8 Net income from investment properties	2018	2017
Capital losses	-33	-
Total	-33	-

P9 Other operating income	2018	2017
Income from other banking business	121	128
Group internal compensations	162	179
Merger and sales gains	-	4,333
Other operating income	3,533	1,388
Total	3,817	6,028

P10 Staff	2018	2017
Salaries and remunerations	-41,822	-50,009
Pension costs	-7,755	-8,523
Other indirect employee costs	-1,529	-1,929
Indirect employee costs	-9,284	-10,452
Total	-51,106	-60,461

Number of employees 31 December

Full-time	600	575
Part-time	39	44
Temporary	107	70
Total	746	689

Pension commitments

The personnel's retirement plan is organised via the Pension insurance company Veritas and there are no pension commitments with a liability deficit.

P11 Other administrative expenses	2018	2017
IT expenses	-22,967	-27,376
Other staff expenses	-3,135	-5,034
Office expenses	-2,007	-1,633
Communication expenses	-3,612	-3,464
Marketing- and representation expenses	-2,568	-3,454
Group services	-400	-619
Other administrative expenses	-4,772	-3,512
Total	-39,461	-45,092

P12 Depreciation of tangible and intangible assets	2018	2017
Depreciation of tangible assets	-1,054	-1,572
Depreciation of intangible assets	-10,800	-6,617
Total	-11,854	-8,189

P13 Other operating expenses	2018	2017
Rental expenses	-7,779	-8,947
Expenses for properties in own use	-1,326	-1,492
Insurance and security expenses	-3,666	-1,475
Monitoring, control and membership fees	-921	-1,003
Consulting fees	-2,122	-2,330
Group services	-1,673	-312
Other operating expenses	-2,563	-2,518
Total	-20,051	-18,077

Auditors' fees

Statutory auditing	-138	-149
Services related to auditing	-47	-42
Tax counselling	-12	-19
Other services	-50	-128
Total	-246	-338

The Financial Stability Board has determined the stability fees as:

Deposit guarantee contribution	-1,901	-1,840
amount of which paid from the old Deposit Guarantee Fund	-1,901	-1,840
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from the old Deposit Guarantee Fund	29	25
Contribution to the Single Resolution Fund	-2,361	-1,653
amount of which transferred from previously paid bank tax	-97	-1,653
Aktia's estimate of how many years funds may be transferred for Aktia Bank plc from earlier paid bank tax	0	2

P14 Taxes	2018	2017
Income taxes on the ordinary business	-1,478	-504
Taxes from previous years	507	19
Changes in deferred taxes	-1,942	-2,862
Total	-2,913	-3,346

P15 Bonds according to financial instruments

	2018		2017	
	Total	of which ECL	Total	of which ECL
Government bonds	65,114	-7	82,263	-
Other	1,291,074	-101	1,716,356	-
Total	1,356,188	-108	1,798,620	-
of which eligible for refinancing with central banks	1,338,187		1,755,580	

Bonds by financial instrument	Publicly quoted	Other	Total	of which ECL
31 December 2018				
Bonds measured at fair value through other comprehensive income	1,067,699	49,520	1,117,219	-
Bonds valued at amortised cost	238,969	-	238,969	-108
Total	1,306,668	49,520	1,356,188	-108
31 December 2017				
Bonds measured at fair value through other comprehensive income	1,398,803	32,017	1,430,820	-
Bonds valued at amortised cost	367,800	-	367,800	-
Total	1,766,603	32,017	1,798,620	-

P16 Receivables from credit institutions

	Repayable on demand	Other than repayable on demand	Total	of which ECL
31 December 2018				
Finnish credit institutions	-	5,000	5,000	-
Foreign credit institutions	14,847	380	15,227	-
Total	14,847	5,380	20,227	-
31 December 2017				
Finnish credit institutions	14,035	11,000	25,035	-
Foreign credit institutions	19,832	1,270	21,102	-
Total	33,867	12,270	46,137	-

P17 Receivables from the public and public sector entities

A sector-by-sector analysis of receivables from the public and public sector entities	2018	2017
Households	4,752,102	4,707,426
Corporates	702,358	587,003
Housing associations	603,735	491,419
Public sector entities	3,545	4,189
Non-profit organisations	35,216	37,768
Total	6,096,955	5,827,805

The bank has in the category receivables from the public and public sector entities only receivables other than repayable on demand.

P18 Financial assets and impairment by stage

Book value of financial assets 31 December 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	1,356,188	-	-	1,356,188
Lending	5,936,223	134,854	46,105	6,117,182
Off-balance sheet commitments	495,722	7,218	144	503,085
Total	7,788,133	142,072	46,249	7,976,455

Book value of financial assets 1 January 2018	Stage 1	Stage 2	Stage 3	Total
Interest-bearing securities	1,788,617	-	-	1,788,617
Lending	5,704,112	124,001	45,829	5,873,942
Off-balance sheet commitments	538,763	5,413	514	544,691
Total	8,031,492	129,414	46,343	8,207,250

Impairment of credits and other commitments	Stage 1	Stage 2	Stage 3	Impairment (IAS 39)	Total
Impairment of credits and the other commitments 31 December 2017 according to IAS 39	-	-	-	47,658	47,658
Restated for adoption of IFRS 9	1,992	4,680	39,970	-47,658	-1,016
Impairment of credits and the other commitments 1 January 2018 according to IFRS 9	1,992	4,680	39,970	-	46,642
Transferred from stage 1 to stage 2	-1,455	1,455	-	-	-
Transferred from stage 1 to stage 3	-359	-	359	-	-
Transferred from stage 2 to stage 1	145	-145	-	-	-
Transferred from stage 2 to stage 3	-	-635	635	-	-
Transferred from stage 3 to stage 1	2	-	-2	-	-
Transferred from stage 3 to stage 2	-	79	-79	-	-
Reversal of impairment	-	-	-5	-	-5
Other changes	2,273	-1,770	342	-	845
Impairment January-December 2018 in the income statement	606	-1,015	1,250	-	840
Realised losses for which write-downs were made in previous years	-	-	-8,129	-	-8,129
Reversal of impairment	-	-	5	-	5
Impairment of credits and the other commitments 31 December 2018 according to IFRS 9	2,598	3,665	33,096	-	39,358

Impairment of credits and other commitments by sector	Stage 1	Stage 2	Stage 3	Total
Households	556	2,162	9,820	12,538
Corporates	1,510	1,367	22,677	25,554
Housing associations	469	132	424	1,024
Public sector entities	2	0	-	2
Non-profit organisations	36	3	201	240
Total	2,572	3,665	33,121	39,358

Impairment of interest-bearing securities	Stage 1	Stage 2	Stage 3	Impairment (IAS 39)	Total
Impairment of interest-bearing securities 31 December 2017 according to IAS 39	-	-	-	-	-
Restated for adoption of IFRS 9	648	-	-	-	648
Impairment of interest-bearing securities 1 January 2018 according to IFRS 9	648	-	-	-	648
Other changes	189	-	-	-	189
Impairment January-December 2018 in the income statement	189	-	-	-	189
Impairment of interest-bearing securities 31 December 2018 according to IFRS 9	837	-	-	-	837

Impairment of interest-bearing securities by sector	Stage 1	Stage 2	Stage 3	Total
Corporates	681	-	-	681
Public sector entities	156	-	-	156
Total	837	-	-	837

P19 Shares and participations

	Publicly quoted	Credit institutions	Other	Total
31 December 2018				
Equity instruments measured at fair value through income statement	-	2,697	861	3,558
Shares and participations in associated companies	-	-	175	175
Shares and participations in group companies	-	8,856	50,904	59,760
Total	-	11,553	51,940	63,493
31 December 2017				
Equity instruments measured at fair value through other comprehensive income	-	1,969	7,327	9,296
Shares and participations in associated companies	-	-	0	0
Shares and participations in group companies	-	13,315	53,697	67,011
Total	-	15,284	61,023	76,307

The holdings in associated and group companies have been valued at their acquisition cost.

P20 Derivative instruments

The nominal value of the underlying property and the fair value of the derivative instrument

31 December 2018

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest rate swaps	780,000	1,420,800	282,000	2,482,800	69,901	16,373
Total	780,000	1,420,800	282,000	2,482,800	69,901	16,373
Total interest rate derivatives	780,000	1,420,800	282,000	2,482,800	69,901	16,373
Forward rate agreements						
Forward rate agreements	3,007	-	-	3,007	5	47
Total forward rate agreements	3,007	-	-	3,007	5	47
Total derivative instruments	783,007	1,420,800	282,000	2,485,807	69,906	16,420

31 December 2017

Hedging derivative instruments	Nominal values / term remaining				Fair value	
	Under 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives						
Interest rate swaps	845,409	1,441,200	342,000	2,628,609	83,324	32,865
Interest rate options	80,000	-	-	80,000	678	678
Purchased	40,000	-	-	40,000	678	678
Written	40,000	-	-	40,000	-	-
Total	925,409	1,441,200	342,000	2,708,609	84,003	33,543
Total interest rate derivatives	925,409	1,441,200	342,000	2,708,609	84,003	33,543
Forward rate agreements						
Forward rate agreements	8,805	-	-	8,805	44	16
Total forward rate agreements	8,805	-	-	8,805	44	16
Total derivative instruments	934,215	1,441,200	342,000	2,717,415	84,046	33,559

P21 Intangible assets

	Immaterial rights (IT expenses)	Other long-term expenditures	Total
2018			
Acquisition cost at 1 January	82,268	9,598	91,866
Increases	5,217	6,727	11,945
Decreases	-	-1,018	-1,018
Acquisition cost at 31 December	87,485	15,308	102,793
Accumulated depreciations and impairments at 1 January	-23,759	-7,304	-31,063
Accumulated depreciation on decreases	-	579	579
Planned depreciation	-8,480	-2,267	-10,747
Accumulated impairments on decreases	-	438	438
Accumulated depreciations and impairments at 31 December	-32,239	-8,553	-40,792
Book value at 31 December	55,246	6,755	62,001
2017			
Acquisition cost at 1 January	68,975	10,776	79,751
Increases	13,292	216	13,509
Decreases	-	-1,394	-1,394
Acquisition cost at 31 December	82,268	9,598	91,866
Accumulated depreciations and impairments at 1 January	-18,476	-6,926	-25,401
Accumulated depreciation on decreases	-	1,394	1,394
Planned depreciation	-5,284	-1,333	-6,617
Impairments	-	-438	-438
Accumulated depreciations and impairments at 31 December	-23,759	-7,304	-31,063
Book value at 31 December	58,508	2,295	60,803

P22 Tangible assets

2018 2017

Investment properties

Shares and participations in real estate corporations

Acquisition cost at 1 January	78	78
Decreases	-78	-
Acquisition cost at 31 December	-	78
Book value at 31 December	-	78
Carrying amount at 31 December	-	78

Other tangible assets

2018	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	14,435	1,555	16,069
Increases	328	-	328
Decreases	-225	-1,027	-1,330
Acquisition cost at 31 December	14,538	528	15,066
Accumulated depreciations and impairments at 1 January	-12,319	-1,252	-13,571
Accumulated depreciation on decreases	130	1,027	1,157
Planned depreciation	-1,107	-	-1,107
Accumulated impairments on decreases	95	-	95
Accumulated depreciations and impairments at 31 December	-13,201	-225	-13,426
Book value at 31 December	1,337	303	1,640

2017	Machines and equipment	Other tangible assets	Total tangible assets
Acquisition cost at 1 January	14,745	1,574	16,397
Increases	415	-	415
Decreases	-724	-19	-743
Acquisition cost at 31 December	14,435	1,555	16,069
Accumulated depreciations and impairments at 1 January	-11,375	-1,252	-12,628
Accumulated depreciation on decreases	724	-	724
Planned depreciation	-1,572	-	-1,572
Impairments	-95	-	-95
Accumulated depreciations and impairments at 31 December	-12,319	-1,252	-13,571
Book value at 31 December	2,116	303	2,497

P23 Other assets	2018	2017
Cash items being collected	241	8,561
Other assets	73,385	15,887
Total	73,627	24,448

P24 Accrued income and advance payments	2018	2017
Interest receivables	14,478	15,990
Other	11,080	15,809
Total	25,558	31,799

P25 Deferred tax receivables	2018	2017
Deferred tax receivables at 1 January	2,538	5,418
Change booked via the income statement during the year	-334	-2,880
Deferred tax receivables at 31 December	2,204	2,538

Deferred tax receivables relates to the unwound hedge interest-rate derivatives and to ECL for credit and other commitments.

P26 Liabilities to credit institutions	2018	2017
Repayable on demand liabilities to credit institutions	39,696	71,684
Other than repayable on demand deposits from credit institutions	608,470	682,780
Total	648,166	754,464

P27 Liabilities to the public and public sector entities

	Repayable on demand	Other than repayable on demand	Total
31 December 2018			
Borrowing	3,949,890	88,833	4,038,722
Other liabilities	100,000	-	100,000
Total	4,049,890	88,833	4,138,722
31 December 2017			
Borrowing	3,983,682	188,301	4,171,983
Total	3,983,682	188,301	4,171,983

P28 Debt securities issued to the public

	2018		2017	
	Book value	Nominal value	Book value	Nominal value
Bonds	2,459,699	2,426,750	2,449,596	2,416,829
Total	2,459,699	2,426,750	2,449,596	2,416,829

P29 Other liabilities

	2018	2017
Cash items in the process of collection	10,982	9,651
Other liabilities	4,547	10,264
Total	15,530	19,915

P30 Accrued expenses and income received in advance

	2018	2017
Interest liabilities	17,719	20,346
Other	22,083	24,943
Total	39,802	45,289

P31 Subordinated liabilities

	2018	2017
Subordinated debentures	207,819	235,200
Total	207,819	235,200
Nominal value	207,819	235,200
Amount counted to Tier capital	67,546	111,048

There is one debenture loan amounting to EUR 21.6 million, exceeding 10 % of all subordinated liabilities. The loan was issued 19 October 2015. The loan matures 2 January 2021 and early repayment can not be required. The loan has a fixed interest rate of 2.5 %.

P32 Deferred tax liabilities

	2018	2017
Deferred tax liabilities at 1 January	2,218	3,835
Transferred deferred tax liability in connection with the transition to IFRS 9	-1,778	-
Change during the year booked via the income statement	1,608	-19
Financial assets:		
Fair value measurement	-829	-1,460
Transferred to income statement	-50	-138
Deferred tax liabilities at 31 December	1,168	2,218

Deferred tax liabilities relates to the financial assets measured at fair value. In the Group, a deferred tax liability of EUR 43 million occurs from the accumulated appropriations that include credit losses pursuant to Section 46 of the Act on the Taxation of Business Profits and Income from Professional Activity.

P33 Equity

	At the beginning of the year	Increase/ Decrease	At the end of the year
Share capital	163,000	-	163,000
Fair value hedging	8,950	-4,940	4,010
Cash flow hedging	-79	79	-
Fund at fair value	8,870	-4,861	4,010
Restricted equity	171,870	-4,861	167,010
Unrestricted equity reserve	108,400	535	108,935
Retained earnings	39,905	-	39,905
Dividend to shareholders		-37,833	-37,833
Change in share-based payments		3,935	3,935
Acquisition / divestment of treasury shares		1,217	1,217
Profit for the year		35,496	35,496
Unrestricted equity	148,305	3,350	151,655
Equity	320,176	-1,511	318,665

	2018	2017
Fund at fair value at 1 January	8,870	15,745
Restated for adoption of IFRS 9	-1,343	-
Changes in fair value during the year	-4,146	-7,782
Deferred taxes on changes in fair value during the year	829	1,460
Transferred to income statement during the year	-252	-692
Deferred taxes on transferred to income statement during the year	50	138
Fund at fair value at 31 December	4,010	8,870

Fair value for financial assets available for sale are recognised in the fund at fair value.

Distributable assets in unrestricted equity	2018	2017
Retained earnings	43,620	48,999
Dividend to shareholders	-37,833	-39,908
Profit for the year	35,496	29,314
Unrestricted equity reserve	108,935	108,400
Share-based payments	1,438	1,499
Total	151,655	148,305

Unrestricted equity only consist of distributable assets. No development costs have been activated.

Share capital and shares

Aktia Bank PLC has only one share class after the combination of A and R shares. At the end of the year, the bank's paid-up share capital as entered in the Finnish Trade Register was EUR 163,000,000 million divided into 69,027,794 (68,718,564) Aktia shares. The number of registered shareholders at the end of the year was 37,475 (39,757). The number of Aktia shares attributable to unidentified shareholders was 765,811 (765,829).

Treasury shares

At year-end, the number of treasury Aktia shares was 111,430 (244,098).

Fund at fair value

The fund at fair value contains changes in fair value after tax on the financial assets measured at fair value through the other comprehensive income and on financial derivatives that are held for cash flow hedging. Financial assets recognised in the fund at fair value are transferred to the income statement on sale or on impairment of the assets.

Unrestricted equity reserve

Items entered in the unrestricted equity reserve has since 1 September 2006 been equivalent to the sum paid in addition to the counter value paid for shares in a new issue.

Retained earnings

Retained earnings contains retained earnings from previous years and profit for the year.

P34 Fair value of financial assets and liabilities

	2018		2017	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and balances with central banks	289,191	289,191	282,476	282,476
Bonds	1,356,188	1,362,966	1,798,620	1,807,309
Claims on credit institutions	20,227	20,227	46,137	46,137
Receivables from the public and public sector entities	6,096,955	6,104,188	5,827,805	5,750,305
Shares and participations	3,558	3,558	9,296	9,296
Shares and participations in associated companies	175	175	0	0
Shares and participations in group companies	59,760	59,760	67,011	67,011
Derivative instruments	69,906	69,906	83,924	83,924
Total	7,895,960	7,909,971	8,115,269	8,046,457
Financial liabilities				
Liabilities to credit institutions and central banks	648,166	647,014	754,464	754,875
Liabilities to the public and public sector entities	4,138,722	4,136,667	4,171,983	4,162,395
Debt securities issued to the public	2,459,699	2,456,608	2,449,596	2,464,577
Derivatives and other liabilities held for trading	16,420	16,420	33,015	33,015
Subordinated liabilities	207,819	209,831	235,200	238,227
Total	7,470,826	7,466,540	7,644,259	7,653,089

In the table, the fair value and the book value of the financial assets and liabilities, are presented per balance sheet item. The fair values are determined both for agreements with fixed and variable interest rates. The fair values are calculated without accrued interest and without the effect of possible hedging derivatives attributable to the balance sheet item.

Fair values on investment assets are determined by market prices quoted on the active market. If quoted market prices are not available, the value of the balance sheet items is mainly determined by discounting future cash flow using market interest rates on the day the accounts were closed. In addition to the credit risk profile of current stock, costs for re-financing are considered in the discount rate when determining fair values on loans. For cash and balances with central banks, the nominal value is used as fair value.

For deposits repayable on demand, the nominal value is assumed to be equivalent to the fair value. Deposits with maturity are determined by discounting future cash flow at market interest rates on the day the accounts were closed. The fair value of issued debts is mainly determined based on quotes on the market. In the discount rate for unquoted issued debts and subordinated liabilities, a margin corresponding the seniority of the instrument is applied.

Derivatives are valued at fair value corresponding to quotes on the market.

P35 Breakdown by maturity of financial assets and liabilities by balance sheet item

Assets 31 December 2018	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P15	134,606	190,778	822,448	208,356	-	1,356,188
Claims on credit institutions	P16	20,227	-	-	-	-	20,227
Receivables from the public and public sector entities	P17	228,609	377,582	1,799,055	1,349,314	2,342,395	6,096,955
Total		383,441	568,360	2,621,503	1,557,670	2,342,395	7,473,370

Liabilities 31 December 2018	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P26	203,959	9,138	435,069	-	-	648,166
Liabilities to the public and public sector entities	P27	3,969,715	84,474	84,510	23	-	4,138,722
Debt securities issued to the public	P28	-	566,800	1,589,089	15,761	288,048	2,459,699
Subordinated liabilities	P31	23,300	38,481	146,038	-	-	207,819
Total		4,196,974	698,893	2,254,706	15,785	288,048	7,454,406

Assets 31 December 2017	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Bonds eligible for refinancing with central banks	P15	226,992	282,397	921,358	357,505	364	1,788,617
Claims on credit institutions	P16	46,137	-	-	-	-	46,137
Receivables from the public and public sector entities	P17	158,429	410,183	1,591,277	1,634,003	2,033,913	5,827,805
Other bonds	P15	10,003	-	-	-	-	10,003
Total		441,561	692,581	2,512,634	1,991,508	2,034,278	7,672,562

Liabilities 31 December 2017	Note	Under 3 months	3-12 months	1-5 years	5-10 years	Over 10 years	Total
Liabilities to credit institutions and central banks	P26	295,798	13,080	440,069	5,517	-	754,464
Liabilities to the public and public sector entities	P27	4,081,219	72,126	18,639	-	-	4,171,983
Debt securities issued to the public	P28	-	739,171	1,402,690	16,145	291,589	2,449,596
Subordinated liabilities	P31	6,361	21,021	207,819	-	-	235,200
Total		4,383,378	845,397	2,069,217	21,662	291,589	7,611,244

P36 Property items and liabilities in euros and in foreign currency

	Euros	Foreign currency	Total	of which from Group companies	of which from associated companies
Assets 31 December 2018					
Bonds	1,356,188	-	1,356,188	-	-
Claims on credit institutions	6,890	13,337	20,227	-	-
Receivables from the public and public sector entities	6,096,955	-	6,096,955	50,149	-
Shares and participations	63,493	-	63,493	-	-
Derivative instruments	69,906	-	69,906	-	-
Other assets	454,221	-	454,221	3,166	-
Total	8,047,653	13,337	8,060,990	53,315	-
Liabilities 31 December 2018					
Liabilities to credit institutions and central banks	647,862	305	648,166	-	-
Liabilities to the public and public sector entities	4,125,864	12,858	4,138,722	76,188	6
Debt securities issued to the public	2,459,699	-	2,459,699	-	-
Derivative instruments	16,420	-	16,420	-	-
Subordinated liabilities	207,819	-	207,819	-	-
Other liabilities	56,499	-	56,499	26	-
Total	7,514,162	13,163	7,527,325	76,214	6
Assets 31 December 2017					
Bonds	1,798,620	-	1,798,620	-	-
Claims on credit institutions	31,529	14,607	46,137	1,994	-
Receivables from the public and public sector entities	5,827,805	-	5,827,805	49,539	-
Shares and participations	76,307	-	76,307	-	-
Derivative instruments	83,924	-	83,924	-	-
Other assets	404,563	-	404,563	8,233	-
Total	8,222,748	14,607	8,237,356	59,766	-
Liabilities 31 December 2017					
Liabilities to credit institutions and central banks	754,464	-	754,464	-	-
Liabilities to the public and public sector entities	4,157,753	14,230	4,171,983	53,440	572
Debt securities issued to the public	2,449,596	-	2,449,596	-	-
Derivative instruments	33,015	-	33,015	-	-
Subordinated liabilities	235,200	-	235,200	-	-
Other liabilities	67,422	-	67,422	463	-
Total	7,697,450	14,230	7,711,680	53,902	572

P37 Collateral assets and liabilities	2018	2017
Collateral assets		
Collateral for own liabilities		
Securities	529,075	575,159
Outstanding loans constituting security for covered bonds	2,264,039	2,110,366
Total	2,793,114	2,685,525
Other collateral assets		
Pledged securities ¹	121,700	146,656
Cash included in pledging agreements and repurchase agreements	5,380	12,270
Total	127,080	158,926
Total collateral assets	2,920,194	2,844,450
Collateral above refers to the following liabilities		
Liabilities to credit institutions ²	516,848	569,185
Issued covered bonds ³	1,666,422	1,668,567
Derivatives	5,380	12,270
Total	2,188,650	2,250,023
<p>1) Refers to securities pledged for the intra day limit. As at 31 December 2018, a surplus of pledged securities amounted to EUR 5 (21) million.</p> <p>2) Refers to debts to the central bank, the European Investment Bank and to repurchase agreements with standardised GMRA (Global Master Repurchase Agreement) terms and conditions.</p> <p>3) Own repurchases deducted.</p>		
Collateral liabilities		
Cash included in pledging agreements ¹	64,036	76,550
Total	64,036	76,550
<p>1) Refers to derivative agreements where collaterals were received from the counterparty in accordance with ISDA/CSA agreements.</p>		

P38 Off-balance sheet commitments	2018	2017
Guarantees	31,255	31,704
Other commitments provided to a third party	3,573	7,325
Unused credit arrangements	468,257	505,663
Total	503,085	544,691
Of which Group internal off-balance sheet commitments:		
Unused credit arrangements	24,665	24,337

Off-balance sheet commitments exclude rental commitments.

P39 Rent commitments	2018	2017
Less than 1 year	6,301	6,379
1-5 years	3,601	3,983
More than 5 years	17	108
Total	9,919	10,470

The rental agreements mainly concern business space (primarily bank offices) and the rent as a rule is linked to the cost of living index. Materiality principle has been adopted and only significant rent commitments are considered.

P40 Customer assets being managed

2018

2017

The parent company, Aktia Bank plc, offers private individuals and institutions discretionary asset management services. Customer funds are not intermediated to other customers.

Customer assets being managed

Funds in a customer funds account	1,278	167
Funds in discretionary asset management services	96,230	97,476
Funds within the framework of investment advising according to separate agreement	2,357,208	2,147,896
Total	2,454,716	2,245,539

PS savings

The pension saving comprises bank account, investments in mutual funds, bonds and shares.

Customer assets within PS savings

PS Savings account	70	69
PS Deposit	62	60
Total	132	128

Customers' PS investments

Investments in mutual funds	6,482	6,421
Shares	265	243
Total	6,747	6,664

P41 The parent company's capital adequacy

	2018	2017
Calculation of the parent company's capital base		
Total assets	8,060,990	8,237,356
of which intangible assets	62,001	60,803
Total liabilities	7,742,325	7,917,180
of which subordinated liabilities	207,819	235,200
Share capital	163,000	163,000
Fund at fair value	4,010	8,870
Restricted equity	167,010	171,870
Unrestricted equity reserve and other funds	108,935	108,400
Retained earnings	6,705	10,591
Profit for the year	36,015	29,314
Unrestricted equity	151,655	148,305
Equity	318,665	320,176
Total liabilities and equity	8,060,990	8,237,356
Off-balance sheet commitments	503,085	544,691
Aktia Bank plc's equity	318,665	320,176
Profit for the year, for which no application was filed with the Financial Supervisory Authority	-36,015	-29,314
Intangible assets	-62,001	-60,803
Debentures	67,546	111,048
Additional expected losses according to IRB	-12,238	-9,452
Deduction for significant holdings in financial sector entities	-8,262	-7,827
Other	170,880	163,034
Total capital base (CET1 + AT1 + T2)	438,573	486,861
The parent company's capital adequacy		
Common Equity Tier 1 Capital before regulatory adjustments	455,670	457,499
Common Equity Tier 1 Capital regulatory adjustments	-84,642	-81,686
Common Equity Tier 1 Capital total (CET1)	371,028	375,813
Additional TIER 1 capital before regulatory adjustments	-	-
Additional TIER 1 capital regulatory adjustments	-	-
Additional TIER 1 (AT1) capital after regulatory adjustments	-	-
TIER 1 capital (T1 = CET1 + AT1)	371,028	375,813
TIER 2 capital before regulatory adjustments	67,546	111,048
TIER 2 capital regulatory adjustments	-	-
TIER 2 capital (T2)	67,546	111,048
Own funds total (TC = T1 + T2)	438,573	486,861
Risk weighted exposures total	2,192,735	2,097,358
of which credit risk, the standardised model	901,754	865,127
of which credit risk, the IRB model	994,774	934,259
of which 15 % risk-weight floor for residential mortgages	225,892	-
of which operational risk	296,206	297,972
CET1 Capital ratio	16.9 %	17.9 %
T1 Capital ratio	16.9 %	17.9 %
Total capital ratio	20.0 %	23.2 %

Calculation of capital adequacy is made using ratings from Moody's Investors Services to define risk weight of exposures.

Risk-weighted amount for operational risks	2016	2017	2018	2018	2017
Gross income	154,326	157,070	162,534		
- average 3 years			157,977		
Capital requirement for operational risk				23,697	23,838
Risk-weighted amount				296,206	297,972

The capital requirement for operational risk is 15 % of average gross income during the last three years.
The risk-weighted amount for operational risk is calculated by dividing the capital requirement by 8 %.

P42 Holdings in other companies

Subsidiaries	2018		2017	
	Percentage of shares	Book value	Percentage of shares	Book value
Financing				
Aktia Corporate Finance Ltd, Helsinki	100 %	8,503	100 %	8,503
Aktia Finance Ltd, Helsinki	100 %	353	100 %	4,811
Investment funds				
Aktia Fund Management Company Ltd, Helsinki	100 %	2,507	100 %	2,507
Securities companies				
Aktia Asset Management Ltd, Helsinki	76 %	2,206	76 %	2,206
Real estate agency operations				
Aktia Kiinteistönvälitys Oy, Turku	19 %	-	100 %	2,792
Insurance companies				
Aktia Life Insurance Ltd, Turku	100 %	46,191	100 %	46,191
Keskinäinen Kiinteistö Oy Pakkalantie 21, Turku	-	-	100 %	8,203
Keskinäinen Kiinteistö Oy Pakkalantie 19, Turku	-	-	100 %	7,403
Keskinäinen Kiinteistö Oy Tikkurilantie 141, Turku	100 %	12,900	100 %	12,900
Keskinäinen Kiinteistö Oy Areenakatu 4, Turku	100 %	3,695	-	3,695
Kiinteistö Oy Keinusaaren Toimistotalo 1, Helsinki	50 %	8,450	50 %	9,450
Asunto Oy Helsingin Tuulensuoja, Helsinki	50 %	1,452	-	-
Kiinteistö Oy Skanssinkatu, Turku	50 %	2,297	50 %	2,297
Kiinteistö Oy Lempäälän Rajamäentie, Helsinki	50 %	2,095	50 %	2,095
Keskinäinen Kiinteistö Oy Sähkötie 14-16, Turku	33 %	1,017	33 %	1,017
Kiinteistö Oy Lahden BW Tower, Helsinki	33 %	114	33 %	3,675
Kiinteistö Oy Helsingin Gigahertsi, Helsinki	33 %	4,782	33 %	1,838
Total		96,562		119,582

Associated companies and joint ventures	2018		2017	
	Percentage of shares	Book value	Percentage of shares	Book value
Data processing				
Samlink Ltd, Helsinki	23 %	0	23 %	0
Other				
Paikallispankkien PP-Laskenta Oy, Espoo	25 %	175	-	-
Total		175		0

P43 Shareholders

	Shareholders 31 December 2018		Shareholders 31 December 2017	
	Shares	Of shares, %	Shares	Of shares, %
The 20 largest shareholders:				
Stiftelsen Tre Smeder sr	6,463,545	9.4	5,898,729	8.9
Veritas Pension Insurance Company Ltd.	6,040,391	8.8	5,781,866	8.7
Svenska litteratursällskapet i Finland rf	5,748,141	8.3	5,653,434	8.5
Nordea Bank Abp ¹	3,258,559	4.7	851,832	1.3
Oy Hammarén & Co Ab	2,964,511	4.3	2,850,994	4.3
Åbo Akademi University Foundation sr	2,467,160	3.6	2,346,640	3.5
AktiaStiftelsen i Borgå sr	1,947,404	2.8	1,868,645	2.8
Skandinaviska Enskilda Banken AB (publ) Helsinki Branch ¹	1,932,706	2.8	1,850,793	2.8
Life Annuity Institution Hereditas Ltd	1,749,921	2.5	1,646,106	2.5
AktiaStiftelsen i Vasa sr	1,591,457	2.3	1,525,787	2.3
Sparbanksstiftelsen i Kyrkslätt sr	1,317,958	1.9	1,297,556	1.9
Mandatum Life	1,273,203	1.8	267,020	0.4
Föreningen Konstsamfundet r.f.	1,176,173	1.7	1,176,173	1.8
Varma Mutual Pension Insurance Company	1,175,000	1.7	1,175,000	1.8
Sparbanksstiftelsen i Karis-Pojo sr	1,158,266	1.7	1,181,025	1.8
AktiaStiftelsen i Esbo-Grankulla sr	1,000,000	1.5	1,203,708	1.8
AktiaStiftelsen i Vanda sr	700,000	1.0	1,205,490	1.8
Sparbanksstiftelsen i Sibbo sr	630,559	0.9	698,455	1.0
Vörå Sparbanks AktiaStiftelse sr	627,220	0.9	625,960	0.9
Aktia-Stiftelsen i Hangö sr	593,900	0.9	397,500	0.6
Largest 20 owners	43,816,074	63.5	39,502,713	59.3
Other	25,211,720	36.5	27,076,098	40.7
Total	69,027,794	100.0	66,578,811	100.0

1) entered in nominee register

Shareholders by sector 2018:	Number of owners	%	Number of shares	%
Corporates	2,413	5.7	8,130,084	11.8
Financial institutes and insurance companies	56	0.1	3,627,690	5.3
Public sector entities	29	0.1	7,308,557	10.6
Non-profit organisations	484	1.3	32,830,940	47.6
Households	34,623	92.4	10,784,117	15.6
Foreign shareholders	140	0.4	118,667	0.2
Total	37,745	100.0	62,800,055	91.0
entered in nominee register	11		5,462,043	7.9
Unidentified shareholders			765,696	1.1
Total by sector	37,745	100.0	69,027,794	100.0

Shareholders by sector 2017:	Number of owners	%	Number of shares	%	Number of votes	%
Corporates	2,235	5.6	6,268,857	9.4	33,477,465	7.5
Financial institutes and insurance companies	51	0.1	6,885,257	10.3	50,929,498	11.5
Public sector entities	28	0.1	7,049,985	10.6	47,983,528	10.8
Non-profit organisations	519	1.3	32,602,472	49.0	296,079,291	66.7
Households	36,777	92.5	9,991,063	15.0	14,797,284	3.3
Foreign shareholders	147	0.4	44,690	0.1	115,588	0.0
Total	39,757	100.0	62,842,324	94.4	443,382,654	99.8
entered in nominee register	10		2,970,658	4.5		
Unidentified shareholders			765,829	1.2	765,829	0.2
Total by sector	39,757	100.0	66,578,811	100.0	444,148,483	100.0

Breakdown of stock 2018:	Number of owners	%	Number of shares	%
Number of shares				
1-100	22,317	59.6	918,929	1.3
101-1 000	12,631	33.7	4,190,792	6.1
1 001 - 10 000	2,324	6.2	5,889,488	8.5
10 001 - 100 000	142	0.4	3,522,037	5.1
100 000 -	61	0.2	53,740,852	77.9
Total	37,475	100.0	68,262,098	98.9
Unidentified shareholders			765,696	1.11
Total by sector	37,475	100.0	69,027,794	100.0

Breakdown of stock 2017:	Number of owners	%	Number of shares	%	Number of votes	%
Number of shares						
1-100	25,320	63.7	1,022,270	1.5	1,191,598	0.3
101-1 000	12,199	30.7	4,016,366	6.0	5,430,593	1.2
1 001 - 10 000	2,043	5.1	5,206,190	7.8	7,876,184	1.8
10 001 - 100 000	128	0.3	3,171,663	4.8	7,823,471	1.8
100 000 -	67	0.2	52,396,493	78.7	421,060,808	94.8
Total	39,757	100.0	65,812,982	98.8	443,382,654	99.8
Unidentified shareholders			765,829	1.2	765,829	0.2
Total by sector	39,757	100.0	66,578,811	100.0	444,148,483	100.0

P44 Related-party information

Related parties include shareholders with significant influence and key persons in management positions and close family members, as well as companies where a key person in a management position has a controlling influence. The Aktia Group's key persons are the members of the Board of Supervisors and the Board of Directors of Aktia Bank plc, the Managing Director, the Managing Director's alternate and other members of the Executive Committee.

	2018			2017		
	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension	Total salary and remunerations	Statutory pension costs	Cost for voluntary supplementary pension
Management personnel compensation						
Mikko Ayub, Managing Director from 1 October 2018	78	14	4	-	-	-
Juha Hammarén, Acting CEO 7 March - 30 September 2018, Deputy Managing Director	445	52	41	290	48	35
Martin Backman, Managing Director until 7 March 2018	376	49	-	350	45	38
Jussi Laitinen, Managing Director until 3 March 2017	-	-	-	304	11	55
Taru Narvanmaa, Deputy Managing Director until 5 May 2017	-	-	-	277	19	59
Executive Committee excl. Managing Director and Deputy Managing Director ¹	2,790	355	303	1,353	218	167
Total	3,690	469	348	2,574	342	353
Compensation to Members of the Board of Directors ²						
Lasse Svens, Chairman from 10 April 2018, Vice Chair until 9 April 2018	86	15	-	56	10	-
Dag Wallgren, Chairman until 9 April 2018	25	4	-	84	15	-
Arja Talma, Vice Chair from 10 April 2018	55	10	-	44	8	-
Christina Dahlblom	44	8	-	37	6	-
Stefan Damlin	43	8	-	40	7	-
Maria Jerhamre Engström	32	6	-	-	-	-
Johannes Schulman	33	6	-	-	-	-
Catharina von Stackelberg-Hammarén	45	8	-	38	7	-
Sten Eklundh	18	3	-	49	8	-
Kjell Hedman	13	2	-	39	7	-
Total	392	69	-	386	67	-
Total compensation to Members of the Board of Supervisors ³	-	-	-	204	-	-
Total compensation to Management personnel, the Board of Directors and the Board of Supervisors	4,082	538	348	3,163	408	353

1) The other members of the Executive Committee are Vice Managing Director Carola Nilsson, Vice Managing Director Anssi Rantala, Director Irma Gillberg-Hjelt, CFO Outi Henriksson, Director Anu Tuomolin, Director Juha Volotinen, Vice Managing Director Merja Sergelius and Director Sam Olin.

The notice of dismissal for the Managing Director is from the employer's side 15 months, and for the other members of the executive committee the notice of dismissal is 12 months. Members of the executive committee follow statutory pension age.

2) 40 % (40 %) of the Board of Directors' annual remuneration was paid in the form of Aktia shares acquired for the Board members from the Stock Exchange at market price.

3) In accordance with the proposal by the Board of Directors, the Extraordinary General Meeting of Aktia Bank plc on 21 September 2017 took the decision to amend the bank's articles of association in order to abolish the Board of Supervisors. In 2017 the members of the Board of Supervisors acquired Aktia A shares corresponding 40 % of their annual remuneration from the Stock Exchange at market price in accordance with the decision taken by the Annual General Meeting of Aktia Bank plc 2017,

Shareholding

At the end of 2018, the Group's key personnel held a total of 113,009 (162,988) Aktia shares in Aktia Bank plc, which represents 0.2 (0.2) % of the total number of shares.

Related-party transactions with subsidiaries	2018	2017
Credits and guarantees	50,149	50,323
Deposits	76,880	53,487
Receivables	3,167	9,443
Liabilities	25	463
Services bought	1,658	401
Services sold	5,384	4,985
Income and expenses from other activities	2018	2017
Group contribution to Aktia Finance Ltd from Group's wholly-owned subsidiaries	-	3,195
Total	-	3,195
Financing income obtained from and financing expenses paid to other group companies	2018	2017
Interest income	535	540
Dividends	10,963	8,955
Interest expenses	-	-50
Net finance income	11,499	9,445

The Board of Directors' and the CEO's signing of the Report by the Board of Directors and the Financial statements 2018

The Group's parent company is Aktia Bank plc domiciled in Helsinki. A copy of the report by the Board of Directors and financial statement is available from Aktia Bank plc, Mannerheimintie 14 A, 00100 Helsinki and from Aktia's website www.aktia.com.

The parent company's distributable retained earnings including profit for the year are EUR 42,720,372.06 and the unrestricted

equity reserve is EUR 108,934,923.90. The Board of Directors proposes to the Annual General Meeting that:

A dividend of EUR 0.61 per share, totalling EUR 42,038,982.04, excluding dividend for treasury shares, be paid. Dividend is paid from retained earnings. After dividend pay-out the distributable retained earnings in the parent company are EUR 681,390.02.

Helsinki, 28 February 2019
Aktia Bank's Board of Directors

Lasse Svens

Chair

Arja Talma

Vice chair

Christina Dahlblom

Stefan Damlin

**Maria
Jerhamre Engström**

Johannes Schulman

**Catharina
von Stackelberg-Hammarén**

Mikko Ayub

Managing Director

Our auditor's report has been issued today
Helsinki, 28 February 2019

KPMG Oy Ab

Marcus Tötterman

Authorised Public Accountant

Auditor's Report

To the Annual General Meeting
of Aktia Bank plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aktia Bank plc (business identity code 2181702-8) for the year ended 31 December 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note G 12 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of lending to the public and public sector entities (Accounting Principles and Notes G2, G20, G21, P17)

- | | |
|---|--|
| <ul style="list-style-type: none"> • Lending to the public and public sector entities aggregated 6 106 million euros comprising approximately 66 per cent of the Group's total assets. Interest income accruing on loans and other receivables forms a material part of the Group's income statement. • Aktia Bank plc has applied IFRS 9 Financial Instruments to recognition of impairment losses on receivables as from 1 January 2018. The adoption resulted in shift from the calculation of impairment on an individual and collective basis to that of the expected credit loss calculated using models under IFRS 9. • Calculation of expected credit losses involves assumptions, estimates and management judgment for example in respect of the probability and amount of the expected credit losses as well as determining the significant increases in credit risk. • Due to the significance of the carrying amount involved, adoption of IFRS 9, complexity of the accounting methods used for measurement purposes and management judgement involved, lending to the public and public sector entities are addressed as a key audit matter. | <ul style="list-style-type: none"> • We have assessed principles and controls for lending regarding the approval, recognition and monitoring of loans and receivables. In addition, we have assessed the risk monitoring and impairment recognition principles applied. We utilized data analysis in our audit focusing on the lending process and loans. • As regards adoption of IFRS 9, we assessed the models and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process for expected credit losses. Our audit procedures included an analysis of the most significant individual impairments recognized during the financial period. Our IFRS- and financial instruments -specialists were involved in the audit. • Furthermore, we considered the appropriateness of the notes provided by the Aktia Bank plc in respect of loans and other receivables and expected credit losses, including the notes related to the IFRS 9 transition. |
|---|--|

Financial Assets measured at fair value (Accounting Principles and Notes G2, G8, G17, G18, G38, P6, P20, P34)

- | | |
|--|--|
| <ul style="list-style-type: none"> • Financial assets measured at fair value are material items in the Group's consolidated financial statements. The financial assets totalled 2 295 million euros and they comprise approximately 25 per cent of the total assets. • The fair value of financial instruments is determined using either prices quoted in an active market or the Group's own valuation techniques where no active market exists. Determining fair values for investments involves management judgements, especially in respect of those instruments for which market-based data is not available • The adoption of IFRS 9 Financial Instruments as at 1 January 2018 resulted in changes to the classification and measurement of financial assets and financial liabilities. The most significant classification changes relates mainly to investments in Aktia Bank plc's life insurance, which are measured at fair value through profit and loss. | <ul style="list-style-type: none"> • We evaluated the appropriateness of the accounting principles applied and the valuation techniques used by Aktia Bank plc, and tested accounting and valuation of investments using for instance data-analysis. • As regards the adoption of IFRS 9, we assessed classification principles for the financial instruments and tested the classification on a sample basis. • Our audit procedures in relation to the financial assets have concentrated on the risk management and valuation process by testing process controls. In addition, we have assessed valuation models and assumptions within the models. • We also assessed the impairment principles applied and methods used by Aktia Bank plc in respect of investments. • Finally, we considered the appropriateness of the notes on financial assets, including the notes related to the IFRS 9 transition. |
|--|--|

Insurance Liabilities (Accounting Principles and Notes G2, G7, G35)

- | | |
|--|---|
| <ul style="list-style-type: none"> • Insurance liabilities in the balance sheet of Aktia Bank plc totalled 1 156 million euros, and is a material item in the Group's balance sheet. • Determining insurance liability is subject to management judgement. In addition, different calculation methodologies can be used. The most significant assumptions are related to mortality and illness. • Due to the significant carrying value of insurance liabilities involved, and the complexity associated with actuarial models used, insurance liabilities are addressed as a key audit matter. | <ul style="list-style-type: none"> • We have assessed and tested the implemented process controls over the insurance liabilities calculation process. • As part of our audit our actuary specialist has assessed and validated assumptions and calculation methodologies used in insurance liabilities calculations. • We have summed up information and assumptions used in insurance liabilities calculations and evaluated their appropriateness by using industry knowledge and available market practise information. |
|--|---|

Net commission income from mutual funds, asset management and investment brokerage (Accounting Principles and Notes K6 and M4)

- | | |
|---|--|
| <ul style="list-style-type: none"> • The assets managed by the Aktia Bank plc entitles to fee and commission income on the grounds of the agreements entered into with customers and the cooperation parties. Commission income, in aggregate 59,6 million euros, forms a material part of the Group's result income statement. • The accounting of commission income from mutual funds and asset management comprises manual phases and the determination of the commission amount and revenue recognition may involve management judgement. • Due to the significance of the income amount and the judgement involved, commission income is considered a key audit matter. | <ul style="list-style-type: none"> • We assessed the methods used by the Aktia Bank plc for calculation of mutual fund and asset management commissions. • Our review regarding the accounting of mutual fund and asset management commissions focused on controls in the billing and fee calculation processes. Our audit procedures involved an assessment of the functionality and effectiveness of these controls. • Our audit procedures included testing of commission calculations on a sample basis, as well as an assessment of the underlying related agreements and fund statutes where fees have been defined. We utilized data analysis in our analysis of the charged fees. |
|---|--|

Responsibilities of the Board of Directors and the Chief Executive Officer for the Financial Statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going

concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

KPMG OY AB was appointed as auditor by the Annual General Meeting in 2011, and our appointment represents a total period of uninterrupted engagement of 8 years.

Other Information

The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 28 February 2019
KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

Corporate Governance Report

Corporate Governance Report for Aktia Bank Plc

This report has been approved by the Board of Directors of Aktia Bank Plc (Aktia) on 28 February 2019. The report has been prepared separately from the Report by the Board of Directors and has been examined by the Audit Committee of the Board of Directors.

This corporate governance report has been prepared in accordance with the Finnish Corporate Governance Code 2015. This report and other disclosures required under the Corporate Governance Code, the company's financial statement, the Report by the Board of Directors and the auditor's report for 2018 are available on the company's website, www.aktia.com.

Recommendations concerning corporate governance

In addition to complying with legislation in force and the company's Articles of Association, Aktia also follows the 2015 Corporate Governance Code for Listed Companies issued by the Finnish Securities Market Association ('Corporate Governance Code'), which entered into force on 1 January 2016. The Code is publicly available on the website of the Finnish Securities Market Association, www.cgfinland.fi. Aktia is a supporting member of the Securities Market Association.

Aktia follows the recommendations of the Corporate Governance Code 2015.

AKTIA BANK PLC'S GOVERNANCE STRUCTURE





THE BOARD OF DIRECTORS 31 DECEMBER 2018

Back row from left

Maria Jerhamre Engström

b. 1969

Member of the Board and member of the Board's Risk Committee

eMBA

Management Consultant focusing on IT and IT transformation

Member of the Board since 2018

Shares in Aktia Bank Plc
31 Dec 2018: 1,322

Johannes Schulman

b. 1970

Member of the Board and member of the Board's Audit Committee

M.Sc. (Econ.)

Partner and CEO for Miltton Markets

Member of the Board since 2018

Shares in Aktia Bank Plc
31 Dec 2018: 1,421

Arja Talma

b. 1962

Vice chairman of the Board, Chairman of the Board's Audit Committee and member of the Board's Risk Committee

M.Sc. (Econ.), eMBA

Member of the Board since 2013

Shares in Aktia Bank Plc
31 Dec 2018: 5,822

Catharina Stackelberg-Hammarén

b. 1970

Member of the Board, chairman of the Board's Remuneration and Corporate Governance Committee

M.Sc. (Econ.)

Managing Director, Marketing Clinic Oy

Member of the Board since 2012

Shares in Aktia Bank Plc
31 Dec 2018: 6,314

Front row from left

Christina Dahlblom

b. 1978

Member of the Board and member of the Board's Remuneration and Corporate Governance Committee

Ph.D (Econ.)

CEO of Miltton Sparks Oy

Member of the Board since 2016

Shares in Aktia Bank Plc
31 Dec 2018: 3,657

Stefan Damlin

b. 1968

Member of the Board and member of the Board's Risk Committee

M.Sc. (Econ.)

CEO of Vasa Elektriska Ab

Member of the Board since 2016

Shares in Aktia Bank Plc
31 Dec 2018: 3,961

Lasse Svens

b. 1962

Chairman of the Board, Chairman of the Board's Risk Committee, member of the Audit Committee and member of the Board's Remuneration and Corporate Governance Committee

M.Sc. (Econ.)

Treasurer of the Åbo Akademi University Foundation sr

Member of the Board since 2016

Shares in Aktia Bank Plc
31 Dec 2018: 6,010

Composition and duties of the Board of Directors

In keeping with the provisions of the Articles of Association, Aktia's Board of Directors encompasses a minimum of 5 and a maximum of 12 ordinary members. The shareholders' meeting decides on the number of Board members, elects Board members and decides on the fees to be paid to the Board members based on the proposal submitted by the shareholders' Nomination Committee. The Board members' mandates begin at the end of the Annual General Meeting and ends at the end of the following Annual General Meeting. The Board of Directors elects its Chairman and Deputy Chairman from among its members. No Board members are appointed through a special appointment procedure.

Independence and diversity of Board members

None of the Board members has been or is an employee of the company. The Board of Directors deems all members of the Aktia's Board to be independent in relation to Aktia within the meaning of the Corporate Governance Code 2015. According to the Board's assessment, all Board members with the exception of Lasse Svens, who is a member of the Board of Directors of Pension Insurance Company Veritas, are also independent of significant shareholders of the company (a shareholding representing at least ten per cent of the total number of shares or voting rights).

Aktia's Board of Directors until 10 April 2018:

Name:	Year of birth:	Education, job title and main occupation:
Dag Wallgren, Chairman	1961	M.Sc. in Business and Economics, Managing Director of the Swedish Society of Literature in Finland
Christina Dahlblom	1978	Ph.D. in Economics, CEO of Miltton Sparks Oy
Stefan Damlin	1968	M.Sc. in Business and Economics, CEO of Vasa Elektriska Ab
Sten Eklundh	1960	M.Sc. in Business and Economics
Kjell Hedman	1951	Business Economist
Catharina Stackelberg-Hammarén	1970	M.Sc. in Business and Economics, Managing Director of Marketing Clinic Ab
Lasse Svens	1962	M.Sc. in Business and Economics, Treasurer of the Åbo Akademi University Foundation sr
Arja Talma	1962	M.Sc. in Business and Economics, eMBA

Aktia's Board of Directors from 11 April 2018:

Name:	Year of birth:	Education, job title and main occupation:
Lasse Svens, Chairman	1962	M.Sc. in Business and Economics, Treasurer of the Åbo Akademi University Foundation sr
Christina Dahlblom	1978	Ph.D. in Economics, CEO of Miltton Sparks Oy
Stefan Damlin	1968	M.Sc. in Business and Economics, CEO of Vasa Elektriska Ab
Catharina Stackelberg-Hammarén	1970	M.Sc. in Business and Economics, Managing Director of Marketing Clinic Ab
Arja Talma	1962	M.Sc. in Business and Economics, eMBA
Maria Jerhamre Engström	1969	eMBA, Management Consultat (IT and IT-transformation)
Johannes Schulman	1970	M.Sc. in Business and Economics, CEO for Miltton Markets

The Board of directors has approved principles for diversity with the aim of ensuring that the Board as a whole has the expertise and the diversity required to ensure a healthy board culture, preserve shareholder value through effective supervision of the business and increase shareholder value through insights and strategic thinking. The principles are available on the company's website, www.aktia.com/en/johto-ja-hallinto.

The principles for diversity have been taken into account in the composition of the Board. In 2018 until 10 April 2018 the share of female Board members was 38 %, from 11 April 2018 the share of female Board members was 57 %.

The duties of the Board of Directors

The Board of Directors represents Aktia and is responsible for managing the company in accordance with the provisions of the applicable laws and the Articles of Association. Apart from assignments given by the Board of Directors to its members in individual cases, Board members do not have individual duties related to the governance of the company.

Board meetings

The Board has adopted written rules of procedure for its work. Meetings of the Board are held mainly at Aktia's head office in Helsinki. When required, the Board can also hold meetings by telephone/e-mail and adopt resolutions without convening. In accordance with the rules of procedure, the Board normally meets once a month. At one longer meeting the Board mainly discuss the Group's strategy.

Meetings of the Board of Directors are deemed quorate when more than half of its members, including the Chairman or Deputy Chairman, are present.

The rules of procedure for the Board of Directors define, the general duties of the Board, meeting procedures, meeting minutes, ordinary meeting business, preparation and presentation of matters to be dealt with at Board meetings and reporting procedures.

In 2018 the Board held 15 meetings. In addition, the Board of Directors adopted separate decisions on 14 occasions concerning matters that fall under its authority.

The following Board members have been members throughout 2018 and their attendance at meetings in 2018:

Svens Lasse, Chairman from 11 April 2018	
Deputy Chairman until 11 April 2018	14/15
Dahlblom Christina	15/15
Damlin Stefan	14/15
von Stackelberg-Hammarén Catharina	15/15
Talma Arja	15/15

The following persons were elected to the Board of Directors on 11 April 2018 and have thereafter attended Board meetings as follows:

Schulman Johannes, from 11 April 2018	10/10
Jerhamre Engström Maria, from 11 April 2018	10/10

The following persons resigned from the Board of Directors on 11 April 2018 and had before that attended Board meetings as follows:

Wallgren Dag, Chairman until 11 April 2018	4/5
Eklundh Sten, until 11 April 2018	5/5
Hedman Kjell, until 11 April 2018	5/5

Composition and duties of Board committees

To draw up issues to be resolved by the Board of Directors and to make decisions on certain defined matters, the Board of Directors has three committees. The committees' rules of procedures constitute a part of the Board of Directors' rules of procedure. Under the rules of procedure, the committees must have at least two and not more than four members. The rules of procedure also specify which matters are to be prepared by the committees and the matters on which the committees are authorised to decide.

Within the framework established by the Board of Directors, the Risk Committee can make independent decisions on risk-taking and risk management issues. In addition, the committee considers the central risk-related processes for capital and liquidity, internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment (ILAAP) and draws up risk-related matters for the Board of Directors to pass decision on. The committee decides on the annual plan and on procedures for the Risk Control and Compliance function, and studies the reports submitted by Risk Control and Compliance. In 2018 the committee held 11 meetings.

Members of the Risk Committee and meeting attendance until 11 April 2018:

Eklundh Sten, Chairman until 11 April 2018	5/5
Hedman Kjell	5/5
Svens Lasse	5/5
Wallgren Dag	5/5

Members of the Risk Committee and meeting attendance from 11 April 2018:

Svens Lasse, Chairman from 11 April 2018	6/6
Jerhamre Engström Maria	6/6
Damlin Stefan	6/6
Talma Arja	6/6

The Audit Committee draws up matters to be decided upon by the Board of Directors that concern proposals for the financial statements and interim reports. The committee defines the principles for internal auditing and adopts the Group's internal audit plan. The committee studies the reports issued by the external auditor and the Internal Audit function and assesses the sufficiency of the other internal reports. The Audit Committee assesses the independence of the auditor or firm of auditors and, in particular, the provision of accessory services. In 2018 the committee held 7 meetings.

Members of the Audit Committee and meeting attendance until 11 April 2018:

Talma Arja, Chairman	3/3
Damlin Stefan	2/3
Svens Lasse	3/3

Members of the Audit Committee and meeting attendance from 11 April 2018:

Talma Arja, Chairman	4/4
Svens Lasse	4/4
Schulman Johannes	3/4

The Compensation and Corporate Governance committee prepares and puts forward proposals to be decided upon by the Board of Directors concerning guidelines for the remuneration and incentive schemes of executives, approval of the CEO's main duties towards the company, and on matters relating to the development of the Group's administration and control system. In 2018 the committee held 7 meetings.

Members of the Compensation and Corporate Governance Committee and meeting attendance until 11 April 2018:

Wallgren Dag, Chairman	2/2
von Stackelberg-Hammarén Catharina	2/2
Dahlblom Christina	2/2

Members of the Compensation and Corporate Governance Committee and meeting attendance until 11 April 2018:

von Stackelberg-Hammarén Catharina, Chairman	5/5
Dahlblom Christina	5/5
Svens Lasse	5/5

Board members' shareholdings

Shareholdings attributable to Board members, 31 December 2018

Name	Number of shares
Lasse Svens	6,010
Arja Talma	5,822
Christina Dahlblom	3,657
Stefan Damlin	3,961
Maria Jerhamre Engström	1,322
Johannes Schulman	1,421
Catharina von Stackelberg-Hammarén	6,314

Information on remuneration of Board members is found in Note G44 of the financial statements.



EXECUTIVE COMMITTEE 7 JANUARY 2019

Back row from left

Anu Tuomolin

b. 1976

Director, HR
M.Sc. (Econ.)

At Aktia since 2018

Shares in Aktia Bank Plc
31 Dec 2018: 2,613

Juha Volotinen

b. 1975

Director, IT
M.Sc. (Econ.)

At Aktia since 2010

Shares in Aktia Bank Plc
31 Dec 2018: 7,209

Max Sundström

b. 1971

Director, Concept and
strategy

M.Sc.Eng.

At Aktia since 2019

Carola Nilsson

b. 1967

Executive Vice President,
Private customers

M.Sc. (Econ.)

At Aktia since 2017

Shares in Aktia Bank Plc
31 Dec 2018: 3,611

Juha Hammarén

b. 1960

Executive Vice President,
Deputy to CEO,
Operational Activities

LL.M., eMBA

At Aktia since 2014

Shares in Aktia Bank Plc
31 Dec 2018: 16,187

Front row from left

Irma Gillberg-Hjelt

b. 1962

Director, Corporate
customers

LL.M.

At Aktia since 2017

Shares in Aktia Bank Plc
31 Dec 2018: 4,300

Mikko Ayub

b. 1969

CEO

M.Soc.Sc., MBA

At Aktia since 2018

Shares in Aktia Bank Plc
31 Dec 2018: 38

Outi Henriksson

b. 1969

CFO

M.Sc. (Econ.)

At Aktia since 2017

Shares in Aktia Bank Plc
31 Dec 2018: 4,791

Anssi Rantala

b. 1972

Executive Vice President,
Asset Management

D.Soc.Sc.

At Aktia since 2014

Shares in Aktia Bank Plc
31 Dec 2018: 13,475

Martin Backman, CEO until 6 March 2018. Minna Miettinen, Director, CDMO until 23 November 2018. Sam Olin, Director, Premium Banking, in Executive Committee until 31 December 2018. Merja Sergelius, Vice President, Personal Banking, in Executive Committee until 31 December 2018.

CEO and his duties

Mikko Ayub, born 1969, M.Soc.Sc., MBA, took over as CEO on 1 October 2018. Martin Backman, born 1969, M.Sc. in Engineering and M.Sc. in Business and Economics, resigned as CEO on 5 March 2018. Juha Hammarén, born 1960, LL.M., eMBA, acting CEO during the period 6 March–30 September 2018.

The CEO is responsible for the day-to-day management of the Aktia Group. The CEO is to attend to his duties of overseeing the bank's day-to-day management in accordance with the instructions issued by the Board of Directors. The CEO prepares matters for the consideration of the Board of Directors and implements the Board's decisions. The CEO is assisted in the day-to-day management by an Executive Committee.

Executive Committee

Duties of the Executive Committee

The Group's Executive Committee is tasked with assisting the CEO. The Executive Committee discusses and monitors the outcome of the Group's strategy and its earnings performance as well as outcomes for significant projects and the achievement of defined targets.

The Executive Committee has no formal corporate law status. The Executive Committee consists of the CEO, who acts as chairman, the Segment Managers and Function Managers, as stipulated by the Board. The members of the Executive Committee report to the CEO. In 2018 the Executive Committee convened once a month, as a rule.

Composition of the Executive Committee

At 31 December 2018 the Group Executive Committee consisted of the following persons:

Mikko Ayub, b. 1969
CEO
Education: M.Soc.Sc., MBA
At Aktia since 2018

Juha Hammarén, b. 1960
Executive Vice President, Deputy to the CEO
In charge of Operational Activities, Acting Chief digital & Marketing Officer, in charge of digitalisation and marketing
Education: LL.M., eMBA
At Aktia since 2014

Merja Sergelius, b. 1965
Executive Vice President, in charge of Private Customers
Education: eMBA
At Aktia since 1986

Carola Nilsson, b. 1967
Executive Vice President, in charge of Private Banking
Education: M.Sc. in Business and Economics
At Aktia since 2017

Anssi Rantala, b. 1972
Executive Vice President, in charge of Aktia Asset Management, Aktia Fund Management and Aktia Life Insurance
Education: D. Soc.Sc.
At Aktia since 2014

Irma Gillberg-Hjelt, b. 1962
Vice President Corporate Customers
Education: LL.M.
At Aktia since 2017

Sam Olin, b. 1973
Vice President Premium Customers
Education: B.Sc. in Business and Economics
At Aktia since 2016

Outi Henriksson, b. 1969
CFO, in charge of Accounts, treasury, investor relations and legal matters
Education: M.Sc. in Business and Economics
At Aktia since 2017

Anu Tuomolin, b. 1976
Vice President, in charge of HR
Education: M.Sc. in Business and Economics
At Aktia since 2017

Juha Volotinen, b. 1975
CIO, in charge of the Group's IT functions
Education: M.Sc. in Business and Economics
At Aktia since 2010

Shareholdings of the Executive Committee

Shareholdings attributable to members of the Executive Committee and related persons, 31 December 2018

Name	Number of shares
Mikko Ayub	38
Juha Hammarén	16,187
Irma Gillberg-Hjelt	4,300
Outi Henriksson	4,791
Carola Nilsson	3,611
Sam Olin	4,300
Anssi Rantala	13,475
Merja Sergelius	27,978
Anu Tuomolin	2,613
Juha Volotinen	7,209

Information on remuneration of members of the Executive Committee is found in Notes G44 and G46 of the financial statements.

Internal control in the Aktia Group

The system of internal control is designed to ensure that the activities of the Aktia Group comply with the applicable regulatory requirements and the operational guidelines adopted by the Board. Internal control is implemented at all levels of the organisation. Ensuring the appropriate organisation and functioning of internal control is part of the duties of the Board of Directors of Aktia Bank Plc.

In addition to financial reporting processes, effective internal control in the Aktia Group is ensured by the Risk Control and Compliance functions, the independent actuarial function and the Internal Audit function. All these functions operate independently of the operational side of the business. Risk Control, Compliance functions and Internal Audit function report directly to the Group's Board of Directors and the boards of the Group's regulated subsidiaries. In addition, the independent actuarial function reports to the Board of Directors of Life-Insurance company. To ensure effective internal control, the Group's Board of Directors defines internal rules and regulations prepared by the Risk Committee of the Board of Directors. The Board is in charge of ensuring that risk management is carried out in an appropriate manner and of working methods which guarantee that the Aktia Group's business activities comply with the law.

Financial reporting

Internal controls in the financial reporting process are based on the following underlying principles: having clear roles, a clear division of responsibility, sufficient understanding of operations in the parts of the organisation concerned and comprehensive and regular reporting procedures in the Aktia Group.

To ensure that the financial reporting is accurate, system-based internal controls, duality and reconciliation have also been built into all key processes where information is recorded. Internal control is supported by observations made by the Group's Internal Audit function which, by means of random sampling, verifies the accuracy of information flows and the sufficiency of the level of control.

The Aktia Group's operational financial reporting organisation consists of an accounts unit at Group level that is in charge of external as well as internal financial reporting. The unit's remit includes consolidation, budgeting, internal performance monitoring, updating of accounting principles, and internal financial reporting guidelines and instructions. For each business segment and key individual subsidiaries within these units, segment controllers have been appointed with responsibility for financial monitoring and analysis. The Group's reports are compiled centrally and are based on a common financial reporting system covering external as well as internal reporting, which helps to ensure that day-to-day financial reporting is handled in a uniform manner.

Important parts of current accounting activities in companies within the Aktia Group have been outsourced to external companies that provide accountancy services. These accountancy services also include the maintenance of securities, purchasing and fixed asset ledgers and the preparation of accounts in accordance with Finnish accounting standards. The services are rendered in accordance with agreements entered into between the parties and comply with the guidelines and directives issued by the Financial Supervisory Authority and other authorities. In order to develop and assess cooperation, meetings are arranged regularly with service providers. The Aktia Group has an ownership interest in and is represented on the board of PP-Laskenta Oy, which handles the Aktia Group's outsourced bookkeeping services.

Within the Aktia Group, duties and responsibilities have been organised so that people involved in the financial reporting process only have very restricted rights of use to the different production systems and business applications in the respective business area. The Aktia Group's Chief Accounting Officer, who is in charge of internal and external financial management, is not involved in making direct business decisions. His incentive is mainly independent of factors driving the business. The Chief Accounting Officer reports to the Chief Financial Officer of the Aktia Group, who is a member of the Executive Committee.

The Aktia Group's internal reporting and monthly financial statements are based on the same structure and are prepared using the same standards as applied to the official interim financial statements and annual accounts. The monthly reports, supplemented by comparative analysis on previous periods, the budget, planned projects and central key figures for analysing the respective business segment are currently distributed to the Aktia Group's Board of Directors and management, selected key personnel and the auditors.

The Aktia Group's financial development and performance is addressed each month by the Group's executive committee. Similar detailed review takes place on a quarterly basis by the Group's Board of Directors and its Audit Committee in the form of interim reports and an annual report. The annual report is revised, and the interim reports are reviewed by the Group's external auditors, who report their observations to the Audit Committee. New or revised accounting principles are to be dealt with and approved by the Group's Board of Directors and its Audit Committee.

Risk management

The Board of Directors of Aktia Bank Abp is responsible for ensuring the appropriate organisation of risk management in the Group. The Aktia Group has a Risk Control function which is independent of the operational side of the business, and which evaluates risk management in the Group and its subsidiaries and reports on risks to management and the Board of Directors. The function monitors that risks are appropriately measured,

analysed and monitored in all areas of activity in the Group and makes assessments of the Group's overall risk position. The Risk Control function reports to the Executive Committee and, on a quarterly basis, to the Group's Board of Directors and its Risk Committee. The Risk Control function also reports to the boards of the concessionaire subsidiaries on a quarterly basis. Risk control in the subsidiaries takes account of the particular characteristics of each subsidiary and the specific regulations which apply to its operations. The Risk Control function is guided by a set of principles and an annual plan for the function, which are adopted annually by the Board of Directors.

The Board determines principles, instructions, risk strategies and risk appetite in the Group, and thus establishes a framework for risk management in the Group.

The main principles for risk management in the Aktia Group as well as the processes and internal control procedures are described in detail in the Capital and Risk Management Report 2018 CAR, which is available on the website, www.aktia.com/en/julkaisut.

Then Compliance function

In the Aktia Group the Compliance function performs advisory, supervisory and reporting tasks for the purpose of ensuring compliance with the applicable customer protection, market conduct and anti-money laundering regulations, and is responsible for maintaining instructions on compliance risk management. Compliance is a separate function which supports Aktia's operational activities and is tasked with ensuring that these activities are conducted in compliance with the applicable laws. The Compliance function reports on a quarterly basis to the Group's Board of Directors and its Risk Committee and to the boards of the concessionaire subsidiaries describing the function's observations, significant changes in the regulations applied and any impact that these may have on the activities. The Compliance function is governed by a set of principles and an annual plan for the function which are adopted annually by the Board of Directors.

Internal auditing

The Aktia Group has an Internal Audit function that is independent of the operational side of the business. The function examines the adequacy and effectiveness of the internal monitoring system and the quality of the tasks performed, and thereby (by addressing observed shortcomings and identifying areas of potential improvement) helps to ensure that necessary changes are implemented. Principles for the activities of the Internal Audit function as well as the Group's audit plan are reviewed and adopted by the Group's Board of Directors on an annual basis. On a quarterly basis, Internal Audit reports on its key observations, the review of previously implemented actions and the implementation of the audit plan directly to the Aktia Group's Board of Directors and its Audit Committee.

The Internal Audit function operates in accordance with the international framework for the professional practice of internal auditing, including the definition of internal audit, the professional ethical code, and guidelines for professional internal auditing. The function also follows other legislation and regulatory requirements applying to the industry.

Insider administration

As a listed company and issuer, Aktia Bank Abp follows Nasdaq Helsinki Oy's (the Helsinki Stock Exchange) Guidelines for Insiders and the Market Abuse Regulation (MAR), under which companies are required to draw up insider lists and lists of persons discharging managerial responsibilities and persons closely associated with them. More information on the handling of insider information is available on Aktia's website www.aktia.com/en/johto-ja-hallinto/sisapiirihallinto.

Related party transactions

To ensure that possible conflicts of interest are taken into consideration in an appropriate way in decision-making, an evaluation of the company's all related party transactions will be made. Aktia Bank has defined its related parties (i.e. close relations) and is involved in regular trading with these. These business transactions are a part of the company's normal business, as many of the related parties are also customers of Aktia Bank. With the exception of employee benefits for those related parties employed by Aktia, all business transactions are made at normal customer terms and conditions, following determined decision-making processes so that for instance decisions concerning credits to the CEO are taken by the Board of Directors.

For Aktia significant business transactions with related parties, business transactions with related parties, deviating from the bank's normal business operations, or business transactions made at other than market terms shall be approved by the bank's Board of Directors. Special attention shall be paid to that the related parties do not benefit from their positions.

Aktia's Finance unit evaluates and monitors transactions made with related parties as part of its routines for control and reporting. Related party transactions are reported in Aktia Bank's annual report (Note G44).

Auditor

The auditing firm KPMG Oy Ab with Marcus Tötterman, Authorised Public Accountant, as lead audit engagement partner has been the Aktia Group's auditors in 2018. The auditor is elected by the shareholders' meeting. Information on fees paid for audit and non-audit services is provided in Note G13 to the financial statements.

GRI report

Reporting principles

In Aktia, corporate responsibility is anchored in day-to-day operations. It is based on the Group's strategy, corporate responsibility programme as well as on Aktia's mission, vision, promise to customers and values. Our objective is to act responsibly towards customers and society. For Aktia, this means providing responsible financial services for our customers as well as respecting the interests of the owners and society as a whole.

The corporate responsibility report is part of our annual report. It consists of a responsibility report section and a compilation of applicable parts of the Global Reporting Initiative (GRI). Aktia's corporate responsibility report was produced in compliance with the GRI standards. In addition, we have reported information related to Aktia's own essential subjects following the reporting principles of GRI standards. The extent of the report corresponds to the Core level of GRI standards. The section concerning corporate responsibility and the GRI compilation are not subject to external verification.

This is the eight report produced by Aktia in compliance with the recommendations of the Global Reporting Initiative (GRI). Unless otherwise stated, the information in the report concerns the financial period of 1 January to 31 December 2018. The GRI indicators reported by Aktia, including references to where information can be found, are listed in the GRI contents comparison. The annually published corporate responsibility report and the GRI content index complement the financial reports and cover the whole Group's operations. The most recent report was published on March 20, 2018.

The report can be downloaded from www.aktia.com, and any questions concerning the report should be addressed to ir@aktia.fi.

Materiality analysis updated

In 2018, Aktia implemented a comprehensive update of materiality analysis.

Identification

Aktia's earlier materiality map served as the basis of materiality analysis. The contextual connection of sustainable development was analysed by comparing the characteristics of Aktia's business with the generally accepted definition of sustainable development as a whole (economy, environment, social issues). The expectations of stakeholders were extensively surveyed.

A total of 570 persons responded to the survey in our website. More than 170 Aktia employees participated in our personnel survey. In addition, we carried out targeted surveys. We also used general information concerning the financial sector as background information for identifying material issues.

The materiality criteria used were the impact of Aktia's operations on society and their importance to stakeholders.

Priorities

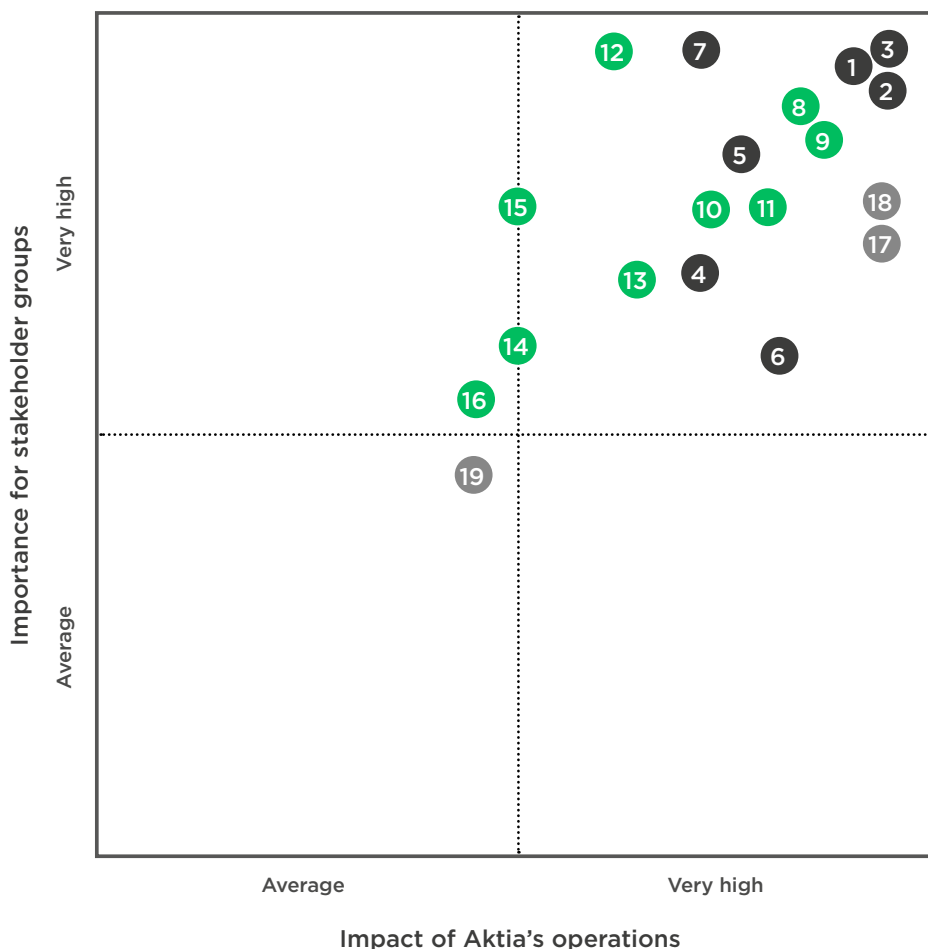
The priorities of responsibility themes were set by a quality assessment of materiality (minor, moderate, major) on the basis of Aktia's business strategy, the views of stakeholders and personnel as well as the consideration by the corporate responsibility working group.

Validation

The comprehensiveness of the materiality update has been validated by interviewing Aktia's management and stakeholders. The representatives of Aktia and savings bank foundations also shared their valuable views. The Management Team of Aktia approved the materiality analysis and the main themes of corporate responsibility programme produced on its basis late in 2018.

The information was linked to GRI Standards items and the availability of information and accounting limits were assessed as part of annual reporting for 2018.

The topics identified as important considering Aktia's impacts and its stakeholders have been grouped under three main themes.



● Solid and reliable

- 1. Transparent governance and ethical principles
- 2. Preventing money laundering and corruption
- 3. Confidentiality of customer information and information security
- 4. Transparent reporting and tax payment
- 5. Financial solidity
- 6. Responsible procurement
- 7. Active dialogue

● Partner for economic well-being

- 8. Responsible financing and granting of credit
- 9. Responsible investments and asset management
- 10. Climate-smart services to customers
- 11. Customer loyalty and satisfaction
- 12. Flexible service, versatile channels
- 13. Making use of new digital channels
- 14. Promoting financial expertise
- 15. Responsible marketing
- 16. Participating in the development of information society

● Most desired employer in the sector

- 17. Competent staff and good leadership
- 18. Occupational well-being, equal opportunities and diversity
- 19. Minimising own environmental impact

GRI Content Index

GRI-standard	GRI contents	Position																														
General disclosures																																
GRI 102: General Disclosures 2016	Organizational profile																															
	102-1	Name of the organization	Aktia Bank Plc																													
	102-2	Activities, brands, products, and services	Aktia in brief, p. 6-7. Aktia's business model – efficient asset management for private customers and companies, p. 12-13. Non-financial report 2018, p. 59.																													
	102-3	Location of headquarters	Helsinki																													
	102-4	Location of operations	Finland																													
	102-5	Ownership and legal form	Aktia in brief, p. 6-7.																													
	102-6	Markets served	Aktia in brief, p. 6-7.																													
	102-7	Scale of the organization	Aktia in brief, p. 6-7.																													
	102-8	Information on employees and other workers	Aktia in brief, p. 6-7.																													
			<table border="1"> <thead> <tr> <th>Number of appointments</th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Total number of full-time employees</td> <td>790</td> <td>793</td> </tr> <tr> <td>Total number of part-time employees</td> <td>96</td> <td>103</td> </tr> <tr> <td>Average age of retired staff</td> <td>64</td> <td>63</td> </tr> <tr> <td>Average age of employees</td> <td>42</td> <td>43</td> </tr> <tr> <td>Sickness absence, (%)</td> <td>2.0</td> <td>2.1</td> </tr> <tr> <td>Staff turnover, (%)</td> <td>11.0</td> <td>7.7</td> </tr> <tr> <td>Accidents, reported injuries</td> <td>16</td> <td>22</td> </tr> </tbody> </table>	Number of appointments	2018	2017	Total number of full-time employees	790	793	Total number of part-time employees	96	103	Average age of retired staff	64	63	Average age of employees	42	43	Sickness absence, (%)	2.0	2.1	Staff turnover, (%)	11.0	7.7	Accidents, reported injuries	16	22					
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102-9	Supply chain	We procure services in a responsible manner, p. 28.																														
102-10	Significant changes to the organization and its supply chain	Year 2018, p. 8-9.																														
102-11	Precautionary Principle or approach	Aktia complies with Precautionary Principle in its operations. Aktia prepares in advance to mitigate and avoid the environmental risks and harmful impacts of its operations.																														
102-12	External initiatives	Year 2018, p. 9. The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26. Partner for economic welfare, p. 29-33. Non-financial report 2018, p. 59.																														
102-13	Membership of associations	Partner for economic welfare, p. 29. Non-financial report 2018, p. 60.																														

GRI-standard	GRI contents	Position	
GRI 102: General Disclosures 2016	Strategy		
	102-14	Statement from senior decision-maker	An increasingly agile and international Aktia, p. 4-5.
	102-15	Key impacts, risks, and opportunities	The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26. Partner for economic welfare, p. 29-33. Non-financial report 2018, p. 59-61.
	Ethics in Business Operations		
	102-16	Values, principles, standards, and norms of behavior	The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26. Profitable growth and high morals create a solid and reliable Aktia, p. 27-28. Non-financial report 2018, p. 59-61.
	Governance		
	102-18	Governance structure	Corporate Governance Report, p. 177-185. The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26.
	102-19	Delegating authority	The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26.
	102-20	Executive-level responsibility for economic, environmental, and social topics	The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26.
	Stakeholder Engagement		
	102-40	List of stakeholder groups	Interaction with stakeholders, p. 37.
	102-41	Collective bargaining agreements	Together towards a better working life, p. 34-36. 90% of the personnel were covered by the collective bargaining agreements during 2018.
	102-42	Identifying and selecting stakeholders	Interaction with stakeholders, p. 37.
	102-43	Approach to stakeholder engagement	Interaction with stakeholders, p. 37.
	102-44	Key topics and concerns raised	Interaction with stakeholders, p. 37. Partner for economic welfare, p. 29-33.
	Reporting Principles		
	102-45	Entities included in the consolidated financial statements	Reporting principles, p. 187-188. G43 Subsidiaries included in consolidated accounts, p. 126.
	102-46	Defining report content and topic Boundaries	Reporting principles, p. 187-188.
	102-47	List of material topics	Material Topics and GRI standards, p. 194.
	102-48	Restatements of information	No changes
	102-49	Changes in reporting	No changes
	102-50	Reporting period	Reporting principles, p. 187-188.
	102-51	Date of most recent report	20 March 2018
	102-52	Reporting cycle	Reporting principles, p. 187-188.
	102-53	Contact point for questions regarding the report	Back cover, the report can be downloaded from the address www.aktia.com and questions concerning the report may be sent to ir@aktia.fi .
	102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles, p. 187-188.
	102-55	GRI content index	GRI Content Index, p. 189-193.
	102-56	External assurance	Reporting principles, p. 187.

Material Topics			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Material Topics and GRI standards, p. 194. The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26.
	103-2	The management approach and its components	Material Topics and GRI standards, p. 194. The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26.
	103-3	Evaluation of the management approach	Material Topics and GRI standards, p. 194. The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26.

GRI-standard	GRI contents		Position																																																			
GRI 200: Economic Performance																																																						
GRI 201: Economic Performance 2016	Economic Performance																																																					
	201-1	Direct economic value generated and distributed	Distribution of social income																																																			
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GRI 204: Procurement Practices 2016	Procurement																																																					
	103	Management Approach	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.																																																			
GRI 205: Anti-corruption 2016	Anti-corruption																																																					
	205-1	Operations assessed for risks related to corruption	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28. Non-financial report 2018, p. 61.																																																			
GRI 300: Environment																																																						
GRI 301: Materials 2016	Materials																																																					
	301-1	Materials used by weight or volume	We take into account the environmental impacts of our operations, p. 36.																																																			
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GRI 302: Energy 2016	Energy																																																					
	302-1	Energy consumption within the organization	We take into account the environmental impacts of our operations, p. 36. The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26. Non-financial report 2018, p. 59.																																																			
			<table border="1"> <thead> <tr> <th>Electricity expenses (euro)</th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Electricity expenses, total</td> <td>391,338</td> <td>442,262</td> </tr> <tr> <td>Of which energy fees</td> <td>148,708</td> <td>168,060</td> </tr> <tr> <td>Of which energy taxes</td> <td>144,795</td> <td>163,637</td> </tr> <tr> <td>Of which electricity transmission kWh</td> <td>97,835</td> <td>110,566</td> </tr> <tr> <td></td> <td>3,549,127</td> <td>4,010,968</td> </tr> </tbody> </table>	Electricity expenses (euro)	2018	2017	Electricity expenses, total	391,338	442,262	Of which energy fees	148,708	168,060	Of which energy taxes	144,795	163,637	Of which electricity transmission kWh	97,835	110,566		3,549,127	4,010,968																																	
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GRI-standard	GRI contents		Position																		
GRI 305: Emissions 2016	Emissions																				
	305-2	Energy indirect (Scope 2) GHG emissions	<p>We take into account the environmental impacts of our operations, p. 36. Non-financial report 2018, p. 59.</p> <p>The use of rail travel has increased compared with air travel, which correlates to a reduction of CO2 emissions.</p> <table border="1"> <thead> <tr> <th>Air travel, kg CO2 emissions</th> <th>2018</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Domestic</td> <td>24,143 (14%)</td> <td>25,299 (18%)</td> </tr> <tr> <td>International</td> <td>142,772 (86%)</td> <td>115,515 (82%)</td> </tr> <tr> <td colspan="3">Trips, number</td> </tr> <tr> <td>Air</td> <td>522</td> <td>565</td> </tr> <tr> <td>Rail</td> <td>279</td> <td>490</td> </tr> </tbody> </table>	Air travel, kg CO2 emissions	2018	2017	Domestic	24,143 (14%)	25,299 (18%)	International	142,772 (86%)	115,515 (82%)	Trips, number			Air	522	565	Rail	279	490
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305-3	Other indirect (Scope 3) GHG emissions	We take into account the environmental impacts of our operations, p. 36. Non-financial report 2018, p. 59.																			
GRI 308: Supplier Environmental Assessment 2016	Supplier Environmental Assessment																				
	103	Management approach	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.																		
GRI 400: Social Impacts																					
GRI 401: Employment 2016	Employment																				
	401-1	New employee hires and employee turnover	Together towards a better working life, p. 34-36.																		
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over 60 years (W/M)	3/-	-																			
GRI 402: Labor/Management Relations 2016	Labor/Management Relations																				
	402-1	Minimum notice periods regarding operational changes	Aktia follows Finnish labour legislation and collective labour agreements of the financial sector when it comes to notice periods for organizational changes and codetermination negotiations.																		
GRI 403: Occupational health and safety 2016	Occupational Health and Safety																				
	403-2	Hazard identification, risk assessment, and incident investigation	Together towards a better working life, p. 34-36. GRI Content Index 102-8, p. 189. Sickness absence and incidents are reported on p. 189.																		
GRI 404: Training and Education 2016	Training and Education																				
	404-1	Days of training	Together towards a better working life, p. 34-36.																		
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404-2	Programs for upgrading employee skills and transition assistance programs	Together towards a better working life, p. 34-36. Non-financial report 2018, p. 60.																			
GRI 405: Diversity and Equal Opportunity 2016	Diversity and Equal Opportunity																				
	405-1	Diversity of governance bodies and employees	GRI Content Index 102-8, information on employees, p. 189. Non-financial report 2018, p. 60.																		

GRI-standard	GRI contents		Position
GRI 414: Supplier Social Assessment 2016	Supplier Social Assessment		
	103	Management approach	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.
GRI 417: Marketing and Labeling 2016	Marketing and Labeling		
	417-3	Incidents of non-compliance concerning marketing communications	Responsible marketing, p. 33.
GRI 418: Customer Privacy 2016	Customer Privacy		
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Profitable growth and high morals create a solid and reliable Aktia, p. 27. Non-financial report 2018, p. 59-61. Aktia was the object of a phishing attack that has resulted in information about a limited number of customers ending up in the wrong hands. We contacted all individuals who affected by the situation.
	Topics specific to Finance Sector		
Responsible investing	103	Interaction with the investment objects (FS10)	Partner for economic welfare, p. 29-33. Non-financial report 2018, p. 59-61.
Responsible investing	103	Positive or negative assessment of the investment objects (FS11)	Partner for economic welfare, p. 29-33. Non-financial report 2018, p. 59-61.
Product and Service Information	103	Initiative for increasing financial skills, (FS16)	Year 2018, p. 8-9. Partner for economic welfare, p. 32-33.

Material Topics and GRI standards

Material Topic	GRI-standard	Management Approach
Solid and reliable		
1. Transparent governance and ethical principles	GRI 102 Ethics in the business activity	Partner for economic welfare, p. 29-33.
2. Preventing money laundering and corruption	GRI 205 Anti-corruption	Partner for economic welfare, p. 29-33. Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.
3. Confidentiality of customer information and information security	GRI 418 Customer Privacy	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.
4. Transparent reporting and tax payment	GRI 201 Economic Performance, GRI 203 Indirect economic impacts	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.
5. Solvency	GRI 103 Management Approach	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.
6. Responsible procurement	GRI 204 Procurement Practices, GRI 308 Supplier Environmental Assessment, GRI 414 Supplier Social Assessment	Profitable growth and high morals create a solid and reliable Aktia, p. 27-28.
7. Active dialogue	GRI 102 Stakeholder Engagement	Interaction with stakeholders, p. 37.
Partner for economic well-being		
8. Responsible financing and granting of credit	Financial sector-specific topic, GRI 103 Management Approach	Lending with focus on responsibility, p. 31-33.
9. Responsible investments and asset management	Financial sector-specific topic, GRI 103 Management Approach	Partner for economic welfare, p. 29-33. The corporate responsibility programme was a joint effort with Aktia's stakeholders, p. 25-26.
10. Climate-smart services to customers	GRI 305 Emissions	Climate-smart possibilities of digitalisation, p. 32-33.
11. Customer loyalty and satisfaction	GRI 102 Stakeholder Engagement (customer satisfaction)	Working for our customers, p. 32.
12. Flexible service, versatile channels	GRI 103 Management Approach	Partner for economic welfare, p. 29-33.
13. Making use of new digital channels	GRI 103 Management Approach	Climate-smart possibilities of digitalisation, p. 32.
14. Promoting financial expertise	Financial sector-specific topic, GRI 103 Management Approach	Partner for economic welfare, p. 29-33.
15. Responsible marketing	GRI 417 Marketing and Labeling	Responsible marketing, p. 33.
16. Participating in the development of information society	GRI 103 Management Approach	Climate-smart possibilities of digitalisation, p. 32.
Most desired employer in the sector		
17. Competent staff and good leadership	GRI 103 Management Approach, GRI 401 Employment, GRI 404 Training and Education	Together towards a better working life, p. 34-36.
18. Occupational well-being, equal opportunities and diversity	GRI 402 Labor/Management Relations, GRI 403 Occupational Health and Safety, GRI 405 Diversity and Equal Opportunity	Together towards a better working life, p. 34-36.
19. Minimising own environmental impact	GRI 103 Management Approach, GRI 301 Materials, GRI 302 Energy, GRI 305 Emissions	We take into account the environmental impacts of our operations, p. 36.

Contact information

Aktia Bank Plc
PO Box 207
Mannerheimintie 14, 00101 Helsinki
Tel. +358 10 247 5000
Fax +358 10 247 6356

Group and Investor information: www.aktia.com
Contact: aktia@aktia.fi
E-mail: firstname.lastname@aktia.fi
Business ID: 2181702-8
BIC/S.W.I.F.T: HELSFIHH

Aktia